TOWN OF DERRY, NEW HAMPSHIRE

Comprehensive Annual Financial Report

For the Fiscal Year Ending

June 30, 2009

TOWN OF DERRY, NEW HAMPSHIRE
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended June 30, 2009

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Introductory Section

December Ice Storm Disrupts Travel Electric Power

Town of Derry, NH

Office of the Finance Department
Frank L. Childs
Chief Financial Officer
frankchilds@ci.derry.nh.us

14 Manning Street
Derry, NH 03038-3208
(603) 432-6103

December 26, 2009

To the Honorable members of the Derry Town Council, the Derry Town Administrator and the Citizens of the TOWN OF DERRY, NEW HAMPSHIRE:

The Comprehensive Annual Financial Report of the Town of Derry, New Hampshire for the fiscal year ended June 30, 2009, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds, and component units of the Town of Derry, New Hampshire. All disclosures necessary to enable the reader to gain an understanding of the Town of Derry, New Hampshire's financial activities have been included.

Component units are legally separate entities for which the primary government is financially accountable, or for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Based on the foregoing criteria, no other organizations are included in the Town's financial reporting entity. There are no component units.

Related Organizations

The government provides a full range of services. These services include police and fire protection; provision of ambulance service; sanitation services; the construction and maintenance of highways, streets, and infrastructure; recreational activities; libraries; general welfare assistance; maintenance of land use records; raising and collection of taxes; community & economic development; health & code enforcement activities; land conservation; and maintenance of vital records. In addition to general government activities, the governing body exercises, or has the ability to exercise, oversight of the Water, Wastewater and Community Access Cable TV departments. Therefore, these activities are included in the reporting entity.

Governmental Structure, Local Economic Condition and Outlook

The Town of Derry, New Hampshire, is a municipal corporation governed by an elected seven-member Town Council. The government has operated under a Town Charter form of government, in compliance with New Hampshire statute RSA 49-D, since 1993. Policymaking and legislative authority are vested in the governing council, and the chief administrative officer is the town administrator. The governing council is responsible, among other things, for passing ordinances, adopting the budget, appointing committees and hiring the government's administrator. The government's Town Administrator is responsible for carrying out the policies of the government, appointing the heads of the government's departments, and general supervision of all town operations. Council members are elected to three-year staggered terms with two council members elected every year, with the exception of three councilors being elected every third year. Four of the council members are elected from within their respective districts. The remaining three council members are elected at large.

The government, incorporated in 1827, is located in the southeastern part of the state, and ranks as the fourth largest municipality in New Hampshire with a population increase of over 12 percent over the past decade. The government currently has a land area of 37.18 square miles and an estimated population of 34,071, which is a decrease of 0.4% from the prior year. While a very slight decrease, it is evidence of a reduction in the number of individuals inhabiting a residence. That evidence is further supported by a 3.1% decline in school population for grades 1-12, following a 2% decline the previous year. This general decline in school population data is similar to statewide statistics that portray a declining enrollment. Overall, school population increased slightly over 2008 due to the initial year of kindergarten with 270 students. The Town of Derry, NH had an employed labor force of 248 full time permanent employees as of June 30, 2009.

The Town performs a cycled inspection of one-fifth of all residential properties each year, so that in a five-year period all these properties have been reviewed to insure that each property record card contains correct assessing data. Following completion of the full revaluation in 2006, the Town Council, acting as the Board of Assessors, has reinstituted the cycled inspection process, as well as authorized assessment updates (indexing) every other year, beginning in 2008. This indexing by the Town, in conjunction with the cycled inspection process, is intended to keep assessed values tracking more closely with then existing market values and providing equitable assessments among property owners. In 2009, a full valuation update was completed that reflected a real estate market that continues to be depressed. This valuation resulted in a net reduction of 6.6% in assessed valuation compared to that in 2008, the second straight year of declined property values. In 2010, the town will continue its cycled inspection program and review of completed building permits, with appropriate valuation adjustments made. In 2011, a valuation update will be performed on a portion or all of the Town properties, depending on market indications.

Economic Condition and Outlook

The economic condition in the area is reflected by the outlook of the citizens of Derry on their personal economic welfare as measured by the number and value of motor vehicle registrations. The number of motor vehicle registrations processed by the Tax Collector/Municipal Agent decreased by 2,807 in FY 2009 to 34,549, a 7.5% decrease compared to a 1.5% decrease the

prior year. While the number of permits decreased, the average value of each registration increased in FY 2009 by 2.5%, from $121 to $124, compared to the previous year's decrease in average value of just below 2%. This data is consistent with a continuing national trend in fewer purchases of new vehicles. Not only are Derry residents registering fewer vehicles, a fairly significant reduction over the past few years, but they also continue to exhibit patterns of purchasing more used vehicles rather than new vehicles. The increase in registration value is likely attributable to residents not registering their older vehicles. Those vehicles would be charged a lower fee, which would have lowered the average registration value in the past.

Another local indicator of economic condition can be found in the building permits issued, which showed a decrease in residential permits, while addition & remodeling permits increased. The number of permits for residential units decreased in FY 2009 to a level experienced in FY 2007, going from 80 to 20. The average construction value of each residential unit increased from the previous year due to the 20 permits including no lower valued multi-family unit permits. Permits in FY2008 included 33 permits for multi-family units. Permits for additions and remodeling in FY 2009 experienced a 10% increase from the prior year compared to a 2% decrease in FY 2008 versus FY 2007. While permits for additions & remodeling have been fairly consistent over the past four fiscal years, an increase in FY2009 indicates a trend to fixing up existing homes versus building new ones. These overall trends are reflective of a general downturn in the housing market nationally. The trend of lower residential permits experienced in FY 2009 continued into the early months of FY 2010. However, the recent month has shown some renewed activity in permits for single family homes and some indication of future activity for multi-family housing.

Residential Units	2006	2007	2008	2009
Permits	76	28	80	20
Total Value	$9.3M	$4.9M	$8.6M	$2.4M
Average Value	$122K	$176K	$107	$120

Local area unemployment statistics showed a significant increase in the unemployment rate in the greater Derry area from a year ago at the end of June 2009, 7.8% vs. 4.4%, with 1,570 being unemployed versus 910 a year ago. The June 2009 unemployment rate for Derry is slightly higher than the 7.1% rate for communities in the Southern portion of New Hampshire, and higher than the overall state rate of 6.8%. While reflective of the overall situation throughout the United States, the unemployment rate trails the national level. The overall economic situation improved slightly during the July-October 2009 period with the unemployment declining to 7.6%, 1,520 unemployed, with the state rate at 6.5% at the end of October. The comparable rates for October 2008 and 2007 were 4.5% and 3.6%, respectively. Overall, the economic outlook for Derry continues to be generally consistent with the Southern New Hampshire economy and impacted by the overall depressed national economy.

Major Initiatives

For the Year

This year was highlighted by the commencement of earnest work on the Town's Master Plan Update, as well as ancillary work on both an Open Space Plan and the Beaver Lake Management Plan that will be incorporated into the overall Master Plan Update. The process began with a

Community Profile meeting that was well attended by a diverse group of citizens, community organizations and civic groups. As a result of the community profile meeting, a number of working subcommittees were established that have been meeting and are preparing specific goals, visions and work products to be included in the Master Plan Update.

The Town's Planning Department was instrumental in obtaining a grant to assist in a business and parcel inventory/survey mapping project that would aid in the Town's economic development initiatives. Assistance in this project is being provided by both the Southern New Hampshire Planning Commission and Rockingham Economic Development Corporation. Some re-zoning of properties to commercial use were also accomplished that will contribute in the future to further economic development activity.

Despite a poor economic environment, the Town was fortunate to still be the beneficiary of some new commercial construction/ business additions. A new 8,000 square foot for-profit early education/child care facility was completed and opened. Two regional banks opened branches in Derry, with River Bank constructing and opening a new facility where a closed restaurant once stood and Enterprise Bank temporarily leasing a space for branch operations until construction of their new facility is completed and opened during FY2010. A 124 unit congregate care, for-profit facility was completed and opened during the year at one of the Town's major intersections near Parkland Hospital. While not providing any tax benefit to the Town, the construction of the Town's first Synagogue was completed and opened during the year, utilizing a shared lot with the local Episcopal Church.

Work began on the upgrade of a major downtown intersection, the junction of Route 28/Route 102. The NHDOT is managing the design and construction of the intersection upgrade, with the Town committed to a 20% cost share. The realignment will improve the operational capacity of this intersection, as well as provide additional downtown parking. Completion is expected in the spring of 2010.

The Town continued to expand, broaden, and upgrade existing facilities for the general recreational needs of its citizens, as well as continued work on adding/improving infrastructure for roads, bridges and 'rail trails'. Phase 1 of the Derry Rail Trail, which was a 3400 feet section, was designed and bid in June 2009. Construction was completed in August 2009. Investments continued in the replacement and updating of equipment required for the efficient operation of various Town Departments. Investments were also made in conservation land and easements.

For the Future

The primary focus for the Town Council and Town staff going forward continues to be economic development that includes: a broader base of commercial and industrial property to alleviate the tax burden on single-family homeowners; mitigation of the planned Interstate 93 widening; the possible development of Exit 4-A, with work continuing on a final Environmental Impact Statement (EIS) to be submitted to the Federal Highway Administration and the NH Department of Transportation (NHDOT); development in the Route 28 Corridor TIF District; finalizing an update to the Town's master plan and growth control ordinance, to be completed in 2010; acquisition of open space; and creation of a merchants/downtown organization; and approval by Town Council in the fall of 2009 of an increase in the Town's Economic Development Revolving Loan Fund to $250,000, a fund which will now be managed by the Rockingham

Economic Development Corporation. The Town continues to review zoning changes that might appropriately increase the available commercial/industrial acreage, thereby reducing the zones where residential uses are permitted. Also under consideration are the implementation of impact fees and instituting a slum/blight ordinance. These considerations are intended to make the community more attractive to businesses considering Derry as a place to conduct business.

Early in FY2010, the Town Council approved additional bonding for the necessary infrastructure improvement to support further commercial and industrial development in the Route 28 Corridor TIF District area. This step to reinvigorate this infrastructure project has spurred renewed interest in developing the major 55-acre site on which Wal-Mart had planned to build a new Super Center store, in the 12-acre site on which the former Sanmina manufacturing facility stood and in other smaller properties within the TIF District. The undeveloped/underutilized properties in this District are prime locations for development since they are already serviced by municipal water and sewer. The Town continues to estimate that the roadway improvements will be $6.5 million. The Town hopes to complete land acquisition efforts and put this project out to bid in early 2010. The New Hampshire Department of Transportation has committed $700,000 and the Town has authorized a bond of up to $5.4 million towards this project and the use of $400,000 of unreserved fund balance. The issuance of a bond to fund this project is anticipated in either the 2nd or the 3rd quarter of 2010. Contributions from future developers towards these infrastructure improvements will be sought to either reduce the amount to be bonded or to support the coverage of debt service.

Revitalization of the downtown area continues and there is still a focus on encouraging the removing/upgrading of less than attractive commercial/residential properties. The planning Board has approved a three-story mixed use, residential/commercial/office building in the heart of the Town's downtown area. This building will have an old style Victorian design and replaces an abandoned service station. Construction is scheduled to begin in 2010. In 2009, the Town acquired a parcel in the downtown area that sits between two Town-owned, undeveloped properties. This acquisition creates a larger, contiguous piece of property that is to be marketed for environmentally-friendly development.

Despite the continued economic downturn nationally, discussions continue with major retailers who are considering new facilities or reopening closed facilities in Derry. A 30,000 square foot Tractor Supply store has opened in the Hood Commons commercial plaza, occupying space that had remained vacant for six years following the closing of Ames. A new 5,000 square foot Tire Warehouse, an automotive retail tire facility, is under construction and will be opened in the spring of 2010. The closed restaurant that had occupied the former downtown firehouse is expected to be opened in late 2009 as a new 'fire-themed' restaurant. Plan are moving ahead to break ground on a new 25,000 square foot medical office facility in the same area as the Goddard School early education/child care facility, the relatively new Center for Life Management (CLM), the 2 year old Overlook Medical Office Park and the soon to be opened Tire warehouse. Infrastructure work will continue in the future on bridge replacements, roadway improvements, and expansion of the Town's water and sewer system. Despite the current economic situation, the Town sees steady economic activity in 2010 and beyond.

The Florence Street Bridge was slated for construction in fall 2009 and the project was complete as of late November 2009. This project is funded by 80% by NHDOT Bridge Aid and 20% by Town contribution. Also, design is being completed on the Fordway Bridge, which will be bid in early 2010 for summer 2010 construction. The Fordway project has received ARRA funding

for 100% of construction costs, leaving the Town to cover only engineering costs on an 80/20 percentage share basis, with 20% being the Town's share.

Following completion of Phase 1 of the Derry Rail Trail project in the summer of 2009, Phase 2 is scheduled to be bid in spring 2010, with construction and completion during the summer of 2010. The estimated $225,000 cost of this 2nd phase will bring total cost to $350,000. The Town contributed $225,000 towards this project, with the remaining amount being raised by the Derry Rail Trail Alliance through contributions and grants. This 8,100-foot section will connect Phase 1 with the Rail Tail in Windham. The ultimate goal of the various rail trail community groups is to have one continuous rail trail from Salem to Concord.

Efforts and Accomplishment Focus

A major accomplishment for FY2009 was commencing the effort to update the Town's Master Plan and all of the activities related to that project. This includes the rezoning of some areas of Town to enable enhanced economic development activity. The Town's involvement with and facilitation of previously mentioned commercial development and related infrastructure activity during difficult economic times was heartening and forebodes healthy economic development as the economy recovers.

The Town's handling of the 2008 ice storm that began the evening of December 11 tested its emergency preparedness. At the height of the storm, approximately 94% of the Town's homes and businesses were without electricity, many without water as well since only a small portion of the Town is served by the municipal water system. An emergency declaration was made on December 12, 2008 that activated the Town's Emergency Operations Center and continued until December 23, 2008. This effort included door-to-door wellness checks on residents and effective communication tools such as Reverse 911, the Town's AM radio station, storm recovery update flyers delivered to businesses that were open, arranging to have those update flyers delivered to homes by mail carriers. The Town further provided: meals for emergency workers; financial support to its Human Services clients; support at the regional emergency shelter set up by the Red Cross; transported folks to and from the shelter, including the evacuation of one of the Town's elderly housing complexes; and a host of other services to assist its residents in dealing with this devastating storm that significantly disrupted lives. For his efforts in leading the town's very successful response to this disaster, Fire Chief and Emergency Management Director George Klauber was named the "2009 New Hampshire Emergency Manager of the Year" by the Northeast States Emergency Consortium, made up of the six New England states, plus New York and New Jersey. Coordination of the Town's employees with other emergency responders, vendors pressed into service, the American Red Cross, the Salvation Army and members of the New Hampshire National Guard produced a very positive response to the disaster that the town faced on the early morning hours of December 12, 2008.

The Town continues to develop and nurture strong alliances with the Greater Derry Chamber of Commerce, the Derry Housing & Redevelopment Authority, Rockingham Economic Development Corporation, the Southern New Hampshire Planning Commission and the Derry Cooperative School District, alliances that will contribute to improving the quality of life in Derry and its social and economic growth and equity. All these efforts continue towards making Derry a "destination community", as well as better balancing the tax burden between residential vs. industrial/commercial properties Some effort continued on a regional approach to economic

development by a collaborative effort of the Greater Manchester Chamber of Commerce and area communities, through a regional organization called *Metro Center*.

Financial Information

The Derry Town Council is responsible for establishing and maintaining an internal control structure (NH RSA 41:9) designed to ensure the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with generally accepted accounting principles. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely to be derived; and (2) the valuation of costs and benefits requires estimates and judgments by management. This internal control structure also includes day-to-day procedures that the various Town departments must follow in managing their respective areas of responsibility, in their handling of receipts and in their purchase of goods and services.

As a recipient of federal, state and local financial assistance, the government is also responsible for ensuring that an adequate internal control structure is in place to ensure document compliance with applicable laws and regulations related to programs. The internal control structure is subject to periodic evaluation by management and the internal audit staff of the government. During FY09, representatives of the Federal Emergency Management Agency (FEMA) reviewed all records and documents associated with the Town's reimbursement request for expenses incurred during and after the December 2008 Ice Storm. Some expenses that were initially disallowed were reversed after much discussion and ultimately the Town was reimbursed 75% of $672 thousand or $504 thousand. Additionally, in FY2010, the State of New Hampshire reimbursed the Town $84 thousand representing 50% of the initial 25% local cost share for this recovery effort, bringing the Town's total reimbursement to $589 thousand of its $672 thousand incurred cost. This was a significant favorable result for the Town given the magnitude of this disaster. Early in FY2010, one audit by the New Hampshire Department of Safety related to public safety rescue equipment purchased with Homeland Security funds yielded a positive audit report that included no adverse findings. No further grant audits are expected to occur in FY2010.

As a part of the government's audit, tests were made of the government's internal control structure. Although this testing was not sufficient to support an opinion on the government's internal control system, the audit for the year ended June 30, 2009 disclosed no deficiencies in internal control that were considered to be material weaknesses.

In addition, the government maintains extensive budgetary controls. The objective of these budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by the government's Council. Activities of the General Fund, the Cable Television Special Revenue Fund, and Proprietary Funds are included in the annual appropriated budget. Project-length budgets are prepared for the Capital Projects Funds, and operating grants in Special Revenue Funds. The government also maintains an encumbrance accounting system as one method of maintaining budgetary control. State law requires that no expenditures be made for any purpose unless that amount was appropriated for that purpose by the Legislative body (NH RSA 32:8).

The Management Discussion and Analysis that precedes the financial statements provides the reader of this report with an objective and easily readable analysis of the Town's financial activities based on currently known information and conditions. As demonstrated by the statements and schedules in the financial and statistical sections of this report, the government continues to meet its responsibility for sound financial management. Further narrative information is set forth below for Unreserved Fund Balance and Debt Administration.

General Fund Balance & Debt Administration

Unreserved Fund Balance

The unreserved general fund balance increased by $0.7 million from the prior year reported $11.8 million level to $12.5 million at June 30, 2009. The New Hampshire Department of Revenue Administration (DRA) supports the range recommended by the Government Finance Officers Association of 8-17% regarding retention of a percentage of total appropriations as unreserved fund balance. The Town of Derry's unreserved general fund balance at June 30, 2009 equals 14.5% of total appropriations, 2% above the midpoint of the recommended guideline range. However, in setting the FY2010, the Town Council utilized $772,116 of unreserved fund balance to redeem a bond anticipation note and during FY2010 has approved supplemental appropriations total $156,772 that are funded through the use of unreserved fund balance. The impact of those items lowered the unreserved fund balance to 13.4% of total appropriations. The unreserved fund balance remains strong and could be used as a source of funds for supplemental appropriations or to reduce the taxation burden in establishing future tax rates, though the management recommendation is to maintain a fund balance of at least 12.5%.

Debt Administration

The government has 17 general obligation debt issues outstanding at June 30, 2009. The outstanding general government principal amount of $8.0 million reflects a decrease from the prior year level of $8.9 million due to the ongoing scheduled repayment of bond principal and no issuance of any bonds in FY 2009. The $8.0 million outstanding includes a $1.9 million Tax Increment Financing bond for the Ash Street TIF District. Outstanding bond debt for the Water and Wastewater departments was $5.5 million at June 30, 2009 and $6.4 million at June 30, 2008. The decrease of $0.9 million was due to the ongoing scheduled repayment of bond principal and no issuance of any bonds in FY 2009. Based on an estimated population of 34,071, general government bonded debt per capita, excluding the TIF bond, was $179 per Derry resident at June 30, 2002, down 12% from the $203 reported in the prior year. This decrease is due to the net effect of no new bonded debt issued during FY 2009, ongoing scheduled repayment of bond principal and a slight decline in the estimated population, discussed earlier in this letter. The government has an A1 rating from Moody's Investors Service. Bonds issued through the New Hampshire Municipal Bond Bank (NHMBB) have an Aa3 rating from Moody's, an AA rating from Standard & Poor's and an AA- rating from Fitch. The Fitch rating had been AAA, but was lowered on July 2, 2008 due to the downgrade of ratings for insurance providers insuring NHMBB bonds. Under current state statutes, the government's general obligation bonded debt issuance is subject to a local limitation based on a percentage of the Town's State of New Hampshire equalized assessed valuation. As of June 30, 2009, the government's general obligation bonded debt in the general fund, both issued and authorized,

was only 12.3% of the legal debt limit (3% of equalized assessed valuation) and $74.3 million below that limit. The Water Fund bonded debt was $282.0 million below and only 0.2% of the legal debt limit (10% of equalized assessed valuation). The Wastewater Fund, Landfill Closure and TIF District debt have no limits.

Other Information

Independent Audit

The Town Charter requires an annual audit by an independent certified public accountant. The Town's Charter also requires that the audit firm be changed at least every five years. The Town's current Charter Commission has reviewed and accepted a request by management to change the Charter so that a Request for Proposal is required for an auditor at least every five years, but that would not require the auditor to be changed. It is presently anticipated that this change will be presented to voters for their approval in March 2010, along with other recommended Charter changes. Beginning in Fiscal Year 2005, the auditing firm of Vachon, Clukay & Co., PC, Manchester, NH, was selected to perform audits of the Town's accounting and financial records for Fiscal Years 2005-2007, with the firm having an audit option, at the sole discretion of the Town, for Fiscal Years 2008 & 2009. The Town chose to continue utilizing the services of Vachon, Clukay & Co., PC for Fiscal Years 2008 and 2009.

The audit was designed to meet the requirements set forth in State statutes and was conducted 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. The auditor's report on the basic financial statements, as well as combining and individual fund statements and schedules, is included in the financial section of this report.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) has once again awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Derry, NH for its comprehensive annual financial report for the year ended June 30, 2008. This was the eleventh consecutive year that the Town of Derry, NH has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments

The preparation of this report could not have been accomplished without the continued cooperative and dedicated effort of the entire staff of the Finance Department, as well as assistance from other Town departments in the gathering of information contained in this report.

Respectfully submitted,

Frank L. Childs
Frank L. Childs
Chief Financial Officer

Certificate of Achievement for Excellence in Financial Reporting

Presented to

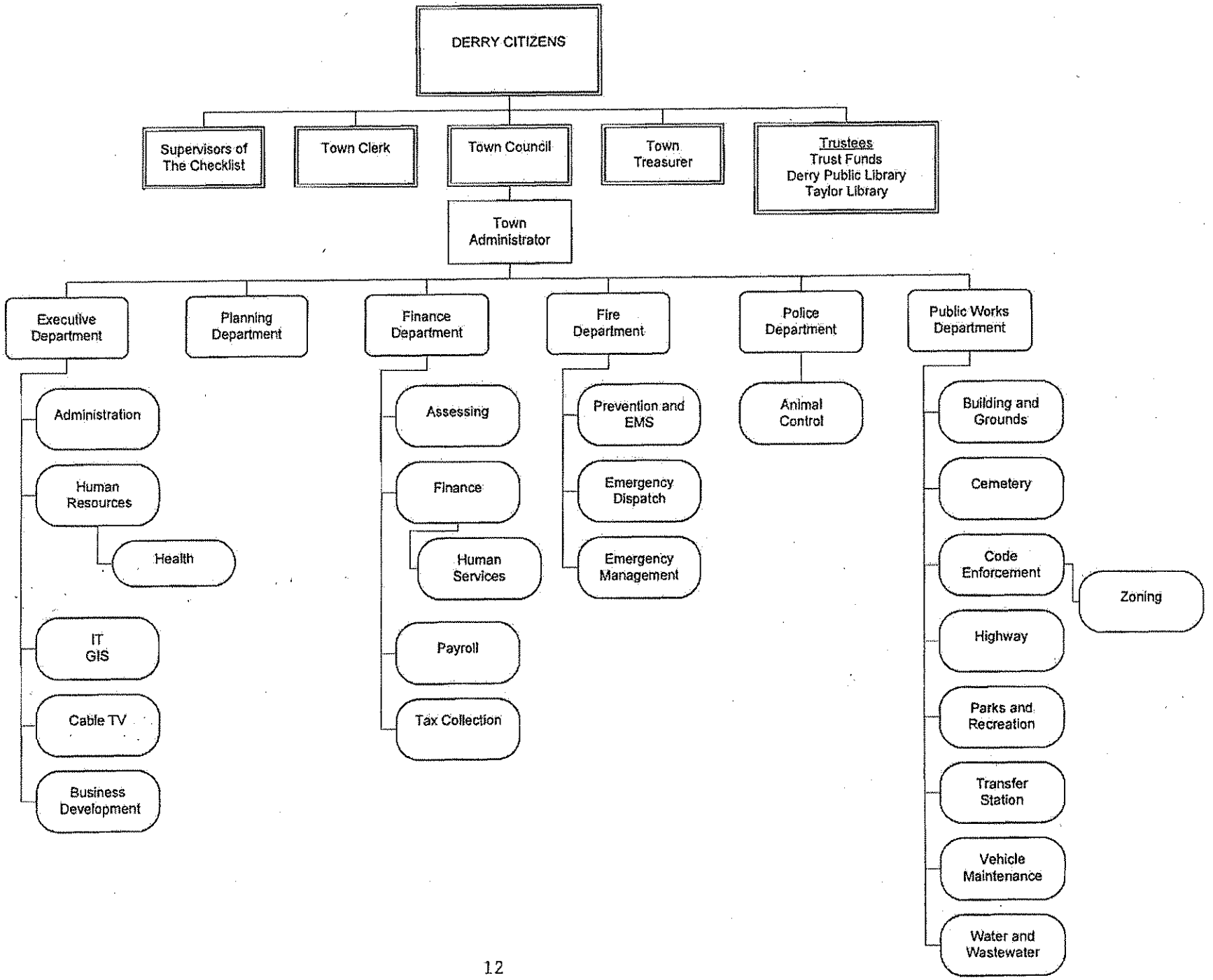
Town of Derry
New Hampshire

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2008

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director


DERRY CITIZENS
Supervisors of The Checklist
Town Clerk
Town Council
Town Treasurer
Trustees
Trust Funds
Derry Public Library
Taylor Library
Town Administrator
Executive Department
Planning Department
Finance Department
Fire Department
Police Department
Public Works Department
Administration
Human Resources
Health
IT GIS
Cable TV
Business Development
Assessing
Finance
Human Services
Payroll
Tax Collection
Prevention and EMS
Emergency Dispatch
Emergency Management
Animal Control
Building and Grounds
Cemetery
Code Enforcement
Zoning
Highway
Parks and Recreation
Transfer Station
Vehicle Maintenance
Water and Wastewater

TOWN OF DERRY, NEW HAMPSHIRE
PRINCIPAL OFFICIALS
AS OF JUNE 30, 2009

Town Council

Richard M. Metts	Chair, Councilor-at-Large
Kevin L. Coyle	Councilor-at-Large
Bradley N. Benson	Councilor-at-Large
Janet Fairbanks	Councilor-District #1
Brent R. Carney	Councilor-District #2
Neil F. Wetherbee	Councilor-District #3
Brian K. Chirichiello	Councilor-District #4

Administration

Richard G. Stenhouse	Town Administrator
Marlene L. Bishop	Animal Control Officer
David N. Gomez	Assessor
Margaret Ives	Chair, Conservation Commission
Richard Holmes	Chair, Heritage Commission
David Granese	Chair, Planning Board
Mario Iannaccone	Chair, Trustees of Trust Funds
Alan Virr	Chair, Zoning Board of Adjustment
Frank L. Childs	Chief Financial Officer
Edward B. Garone	Chief of Police
Robert S. Mackey	Code Enforcement Officer
Janice A. Mobsby	Controller
Cheryl A. Lynch	Director, Derry Public Library
Lawrence D. Budreau	Director of Human Resources & Administration
Michael A. Fowler	Director of Public Works
Linda L. Merrill	Director, Taylor Library
George Klauber	Emergency Management Director
George Klauber	Fire Chief
Jill E. McLaughlin	Human Services Administrator
Eric H. Bodenrader	Parks & Recreation Director
George H. Sioras	Planning Director
Patricia M. Milone	Tax Collector
Denise E. Neale	Town Clerk
Rita M. Correia	Town Treasurer
Margaret Ives	Town Moderator

Public Safety Enhanced by New Medic Unit

Financial Section

VACHON CLUKAY
& COMPANY PC

CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT

To the Town Council
Town of Derry, New Hampshire

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 Derry, New Hampshire (the Town) as of and for the year ended June 30, 2009, which collectively comprise the Town's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Town's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our 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 Derry, New Hampshire as of June 30, 2009 and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis, budgetary comparison information, the modified approach for infrastructure and the schedule of funding progress for other post-employment benefits on pages 15-33 and 70-75, respectively, are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Derry, New Hampshire's basic financial statements. The combining nonmajor fund and fiduciary fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining nonmajor fund and fiduciary fund financial statements and other schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole. The introductory section and statistical tables have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Vachon, Clukay & Co., PC

December 26, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of the Town of Derry, NH (the Town) is prepared by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2009.

A Brief Discussion of the Basic Financial Statements

Using This Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Town as a whole and present a longer-term view of the Town's finances. Fund financial statements follow. For governmental activities, these statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant funds. The remaining statements provide financial information about activities for which the Town acts solely as a trustee or agent for the benefit of those outside of the government.

Reporting the Town as a Whole

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Assets and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include *all* assets and liabilities using the *accrual basis of accounting*, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the Town's *net assets* and changes in them. You can think of the Town's net assets---the difference between assets and liabilities—as one way to measure the Town's financial health, or *financial* position. Over time, *increases* or *decreases* in the Town's net assets are one indicator of whether its *financial* health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the *overall health* of the Town.

In the Statement of Net Assets and the Statement of Activities, we divide the Town into three kinds of activities:

Governmental activities - Most of the Town's basic services are reported here, including the police, fire, public works, and parks departments, and general administration. Property taxes, fees, and state and federal grants finance most of these activities.

Business activities - The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water and sewer system activities are reported here.

Fiduciary activities - These are assets held by the Town in a trustee capacity or as an agent for individuals, private organizations, other governments, and other funds.

Reporting the Town's Most Significant Funds

Our analysis of the Town's major funds provides detailed information about the most significant funds - not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council establishes many other funds to help it control and manage money for particular purposes (Capital Project Funds) or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money (such as Special Revenue Funds used to account for Public Safety or Health grant revenue).

The Town's two types of funds: Governmental and Proprietary, use different accounting approaches.

Governmental funds---Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in reconciliation at the bottom of the fund financial statements.

Proprietary funds---When the Town charges customers for the services it provides - whether to outside customers or to other units of the Town—these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities reported in the Statement of Net Assets and the Statement of Activities. In fact, the Town's Enterprise funds (a component of proprietary funds) are the same as the business-type activities we report in the government-wide statements but provide more detail and additional information, such as cash flows for proprietary funds.

The Town as Trustee

The Town is the trustee, or fiduciary, responsible for other assets that---because of a trust arrangement---can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets. We exclude these activities from the Town's other financial statements because the Town cannot use these assets to finance its operations. The Town is responsible for ensuring that the assets reported in these funds are used for their intended purpose.

Condensed Financial Statements

Financial Highlights

- Total Net assets for primary government increased $1.6 million and were affected largely by the value of capital assets acquired through donations ($926,437).

- Net assets totaled $122 million for governmental activities of which $12 million is unrestricted and available to meet the Town's ongoing obligations that provide a benefit to the citizens of Derry.

- The General Fund unreserved and undesignated fund balance decreased from $11.4 million to $11.2 million at June 30, 2009 after designating $.6 million to be transferred to capital reserve for compensated absences and $.8 million designated to reduce the FY10 tax rate to cover the payoff of an outstanding bond anticipation note.

- No new bond debt was issued during the year ending 6/30/09 and the town is dramatically below borrowing limits prescribed by State Law.

- The Town is collecting over 97% of property tax billed in the first year of the tax levy. Cumulatively over a 10-year period, collections are declining with 1.5% of taxes levied for the 10 year period are uncollected compared to .5% last year.

The Town as a Whole

Government-Wide Financial Analysis

The following analysis focuses on net assets and changes in net assets of the Town's governmental and business-type activities and separately considers the operations of governmental and business-type activities.

Town of Derry, NH
Net Assets (in millions)
6/30/2009 and 6/30/2008

	2009			2008		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
Assets:						
Current and other assets	$ 63.1	$ 3.6	$ 66.7	$ 61.7	$ 3.9	$ 65.6
Capital assets	108.4	29.0	137.4	107.6	29.1	136.7
Total Assets	$ 171.5	$ 32.6	$ 204.1	$ 169.3	$ 33.0	$ 202.3
Liabilities:						
Current liabilities	$ 37.8	$ 1.1	$ 38.9	$ 35.9	$ 1.2	$ 37.1
Long-term debt outstanding	11.6	4.8	16.4	12.3	5.6	17.9
Total Liabilities	49.4	5.9	55.3	48.2	6.8	55.0
Net Assets:						
Invested in capital assets, net of related debt	99.1	23.5	122.6	97.3	22.7	120.0
Restricted net assets	11.0	-	11.0	11.8	-	11.8
Unrestricted net assets	12.0	3.2	15.2	12.0	3.5	15.5
Total Net Assets	122.1	26.7	148.8	121.1	26.2	147.3
Total Liabilities and Net Assets	$ 171.5	$ 32.6	$ 204.1	$ 169.3	$ 33.0	$ 202.3

Governmental Activities

Net assets totals $122.1 million for governmental activities and includes $99.1 million in capital assets, net of related debt. Capital assets net of related debt of $99.1 million are not available for future spending. It is the difference between the depreciated property value of roadways, land, buildings, vehicles and equipment after being reduced by the amount of outstanding bonds or leases associated with these assets. Roadways, bridges and sidewalks comprise most of the asset value ($77 million) and provide a function to citizens of Derry, but would not be sold to fund future town obligations. Restricted net assets of $11 million are subject to use restrictions external to local government and these funds are not available to pay for general Town obligations. Unrestricted net assets of $12 million remained unchanged. Unrestricted net assets provide a cash flow resource that enables the Town to meet its obligations without the need for temporary borrowing to pay its annual operating obligations. Unrestricted net assets are also available to fund future activities that may be appropriated, however the NH Department of Revenue Administration and the Government Finance Officers Association recommends keeping a balance to sustain the strong financial health of our government. The level retained by the Town is at the midpoint of the recommended range of 8-17%.

Business Type Activities

Net Assets of the water and sewer enterprises total $26.7 million. Net Assets include the investment of $23.5 million in water and sewer lines, pump stations, and lagoon infrastructure. Net of related debt from bonds and capital leases, these funds are not available to be spent on future activities. At June 30, 2009, there is $3.2 million of unrestricted net assets which is available for future spending.

Town of Derry, NH
Changes in Net Assets (in millions)
6/30/2009 and 6/30/2008

	2009			2008		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
Revenue						
Program revenue:						
Charges for services	1.69	4.15	5.84	1.94	4.20	6.14
Grants:						
Operating grants	2.52	-	2.52	2.07	-	2.07
Capital grants	0.93	0.09	1.02	1.07	0.10	1.17
General revenue:						
Property taxes	23.18	-	23.18	22.83	-	22.83
Other general revenue	7.68	0.17	7.85	9.35	0.34	9.69
Total revenue	36.00	4.41	40.41	37.26	4.64	41.90
Program expenses:						
Town:						
General government	5.86		5.86	4.92		4.92
Public safety	18.93		18.93	18.79		18.79
Highway and streets	4.06		4.06	4.18		4.18
Health, Welfare & Housing	0.84		0.84	0.86		0.86
Sanitation	1.62		1.62	1.56		1.56
Culture and recreation	2.86		2.86	2.97		2.97
Conservation	0.01		0.01	0.03		0.03
Economic development	0.27		0.27	0.48		0.48
Interest on long-term debt	0.44		0.44	0.48		0.48
Water	-	2.03	2.03	-	2.09	2.09
Sewer	-	1.93	1.93	-	1.92	1.92
Total Program expenses	34.89	3.96	38.85	34.27	4.01	38.28
Excess (deficiency) before special items and transfers	1.11	0.45	1.56	2.99	0.63	3.62
Special items and Transfers:						
Transfers	(0.01)	0.01	-	(0.02)	0.02	-
Contributions to Permanent Fund principal	0.01	-	0.01	0.01	-	0.01
Gain on sale of capital assets	-	-	-	0.53	-	0.53
Total Special items & transfers	-	0.01	0.01	0.52	0.02	0.54
Total expenses, special items and transfers	34.89	3.97	38.86	34.79	4.03	38.82
Increase (decrease) in net assets	1.11	0.46	1.57	3.51	0.65	4.16

Analysis of the Overall Financial Position and Results of Operations

Net Assets

Governmental Activities

Total Net Assets for governmental activities increased by $1.1 million. Notably, there was an operating surplus primarily because actual expenses were lower than budgeted and because property tax revenues were stronger than anticipated.

Long-term debt decreased $.7 million during the year affected in large part by less borrowing activity to fund capital asset acquisitions. Repayment of bonds and capital lease debt of $1.2 million that would reduce our overall long-term liability was offset by a new equipment lease for public works division totaling $150,617.

The value of earned time payable to employees (compensated absences) increased $143,699, affected by increased hours and pay rates, as staff used or requested distribution of earned time at a rate slower than it was accumulated.

As a result of GASB 45 financial reporting requirements, the Town obtained an actuarial analysis of the liability of Other Post Employment Benefits (OPEB) that will be added in over 30 years. The net OPEB obligation of $773,695 for governmental activities was recorded this year to begin to recognize the retiree's affect on the group healthcare insurance premiums. There is a value provided to retirees either through direct subsidy payments or an implicit subsidy gained through lower insurance premiums than what a retiree might otherwise pay if the retiree sought their own insurance.

Net tax receivables increased by $.2 million over the prior year. This is the sixth consecutive year of improvement in the percentage of property taxes collected during the first year of the levy. At a collection rate of 97.4% of the current year levy, these timely tax collections more quickly converted the amounts owed to the town to cash. Improved tax collection is affected as more homeowners escrow for taxes as gaps between mortgage debt and property values narrow and by current property owners' ability to meet their tax burden more quickly.

Cash and investments of governmental activities have increased by $928,000 to $56.7 million. The change was affected by a $1.2 million increase in advanced collection of taxes that will be used for the next fiscal year's operations and a $453,000 decrease in funds held for water/wastewater enterprise funds. Internal balances between the governmental activities and business type activities arise because the town collects user fees and assessments and any other state aid or miscellaneous revenue sources, writes checks from the funds on deposit with the general fund, and recognizes the business type cash transactions as either increasing or decreasing the amount due from the general fund to the business type activities.

Unearned revenue of $34 million includes the tax levy balances billed in May, 09 that are used to fund the tax year July 1, 2009 to June 30, 2010.

Unrestricted governmental net assets---the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other

legal requirements---remained fairly constant at $12 million at June 30, 2009, affected by a marginal $44,000 increase.

Business Type Activities

The increase in our water/sewer net assets of $452,000 is affected by retirement of debt funded in part by service revenues. Debt service payments totaling $935,000 and the acquisition of $498,000 primarily in wastewater sewer expansion, were offset by depreciation of $670,000 and is responsible for the increase in capital assets net of related debt by $773,000.

Water and sewer service revenues were up slightly from the prior year affected by new customers and increased rates, though mitigated by the effect of sustained water conservation for the past three years. Sewer usage cost to customers who receive both water and sewer service is calculated based on metered water consumption and are affected also by lower water usage. There were 12 more water users and 8 more sewer customers added during the year. However, the consumption average of the past three years continues to decline.

Due to lower interest rates, investment interest earned during the past year is 1/3 the level earned in the prior year.

While the internal balances from governmental activities related to business type activities decreased $.5 million, capital assets net of related debt in the business type activities increased $.8 million. This trend is a reflection of business enterprise efforts to continue to invest in its infrastructure while reducing long term debt. The town has collected assessment revenue over the past several years for new service connections and these assessments were collected in lump sum or over time and are used to offset the payments of bonds incurred to expand water/wastewater systems.

Analysis of Balances and Transactions of Individual Funds

Governmental Fund Activities

A snapshot of the general fund balance sheet reflects a $.9 million increase in cash balances to $46 million and a shift of cash from long-term investments to a cash equivalent. The town is participating in a guaranteed funds program (TAGP) backed 100% by the federal government and earning a higher rate of return and is more secure than other investment alternatives.

Amounts due from the general fund to other funds decreased $795,000 million to $5.1 million primarily affected by lower balances carried by the enterprise funds as previously acquired assessments collected are utilized to retire debt.

Overall, general fund assets are $1.1 million higher than the prior year, of which $.9 million is reflected in the increase to cash and investments. This occurred as 3.8% more in taxes were collected in advance of the fiscal year beginning 7/1/09 which denotes a favorable tax collection trend.

Reasons impacting the growth in General Fund unreserved fund balance of $643,000 to $12,490,200 primarily resulting from lower expenditures and revenues above budget are discussed in the final budget to actual changes noted after this section.

General Fund Encumbrances (commitments to fund obligations that were not completed at year end) increased minimally from $264,156 to $279,916 at June 30, 2009.

Permanent fund balances decreased $613,000 due to a net loss of $492,000 in fair value of the investments and due to $123,000 being transferred to from the income to primarily fund recreation (66,000) and cemetery care ($55,000) activities. Notably, the Trustee's of the Trust Funds have voted to transfer administration of the permanent trust funds and Capital Reserves from Bank of America to Citizens Bank at this writing in fiscal year 2010.

The town had 6 Governmental Capital Project Funds at the close of the year. The highway garage replacement and Manning Street extension projects were completed and the projects were closed during 2009. Notably, the bridge improvement fund holds $1.1 million in fund balance at the end of the year after transfers in from the general fund of $505,000 for the Florence and Fordway bridge projects. The fund is to be used for the Florence, Fordway and South Avenue Bridge project activities and state and federal aid will be reimbursed for the majority of the cost of these projects. The Crystal Avenue/Broadway Reconstruction fund was set aside to capture the town's share of construction costs of a major intersection in the urban compact area of the town that the town normally maintains. The major activity of the project is funded and managed at the state level directly as it involves a state road: Route 102.

Notable activity in special revenue funds includes an annual transfer to fund library services from general fund taxation totaling $1.2 million. The libraries are allowed to retain fines, program revenues, interest and other miscellaneous revenue. After annual expenditures of $1.2 million, minimal surplus revenues were added to the libraries accumulated fund balances: $26,172 for Derry Public Library and $1,887 for Taylor Library Fund derived from program revenues raised at the libraries. Taylor Library transferred $10,086 to the Capital Reserve for Taylor Library in order to prevent available funds from the town's transfer to lapse to general fund balance and preserve the intended purpose of the appropriation for Taylor Library's needs. Derry Library retained $172,000 and Taylor library retained $75,000 in unreserved fund balance as of June 30, 2009 and these funds are available for future appropriation by the Library Trustee Board.

Conservation commission is funded from land use change tax revenue and carries a fund balance of $505,000 after incurring expenditures of $265,000 in 2009 related to the acquisition of new conservation property on Orchard Drive and an easement on English Range Road.

Reflecting commitment to economic development, the Central Court fund acquired the Difeo property in the central district adjacent to two other town owned properties to be used for future economic development with the $225,000 designated for such purpose.

In addition to general fund operations, a major ice storm affected the town in December, 2008. During the aftermath of this long-term historical event, the town incurred $604,000 in emergency management services of which FEMA approved a 75% reimbursement to the town. These awarded grants from state and federal sources provide an added benefit to the residents of Derry that are meant to minimize the effect on local taxation for these emergencies. Also, Public Health Grant revenues provide funds to cover development of a regional public health network

and planning and preparation for an emergency response to pandemic health threats and offset program expenditures of $111,000 in 2009.

Capital Reserve Funds grew by $382,309 during the year to $5.3 million after earning $83,000 in investment interest on deposits and after reflecting transfers out to cover eligible expenses of the reserves, particularly $170,000 to cover highway maintenance and $36,000 to fund transfer station eligible recycling costs. Contributions were made as follows: $20,000 for future reassessment activity, $125,000 for future fire vehicle, facility and equipment replacements, $26,800 for E-Gov technology projects, $60,000 for Parks Facility Improvements. Additionally, the general fund transferred $20,000 to fund future Taylor Library needs and the Taylor Library transferred unexpended funds available at year end to this reserve to preserve the funds be used for library purposes. Additionally $161,000 and $108,000 are collected annually from motor vehicle registration fees to be used for the transportation improvement and the waste tire reclamation fund, respectively. These transfers and accounts are for long range capital planning and to fund compensated absences expendable trust. This process has been an important and effective planning tool to save and prepare for major projects under the tax cap constraints on annual net appropriations.

Annual fund transfers to capital reserve to fund accumulated earned time and associated employer taxes, retirement and workers compensation liabilities has enabled the capital reserve interest of $51,000 to partially fund the annual growth in the obligation. The earned time obligation increases when contractual wage rates or other employer pay related expense contributions increase. The compensated absence liability of $3.6 million is second only to bond debt, town-wide. The amount required to fully fund the capital reserve for said purpose is $554,000 and this amount is designated in the general fund unreserved fund balance. $124,000 was transferred in to the trust from general fund mid year; however $150,000 was withdrawn from the trust to fund retirement costs incurred in the general fund.

The net cost of services set forth below shows the financial burden that was placed on the Town's taxpayers by each of these functions.

Net Cost of Services (in millions)
6/30/2009 and 6/30/2008

	2009			2008		
	Total Cost of Services	Total Revenue	Net Cost of Services	Total Cost of Services	Total Revenue	Net Cost of Services
Town programs:						
General government	$ 5.9	$ 0.1	$ 5.8	$ 4.9	$ 0.1	$ 4.8
Public safety	18.9	2.7	16.2	18.7	2.6	16.1
Highway and streets	4.1	1.6	2.5	4.2	1.4	2.8
Health, welfare and sanitation	2.4	0.5	1.9	2.4	0.7	1.7
Culture and recreation	2.9	0.2	2.7	3.0	0.2	2.8
All others	0.8	0.1	0.7	1.1	0.1	1.0
Total	35.0	5.2	29.8	34.3	5.1	29.2

Enterprise Fund Activities

A review of the water and wastewater division activities in 2009 reflects a continued pattern of lower debt service as both divisions continue to retire debt. Notably, water consumption has declined to the lowest level in 10 years. Consumer practices of water conservation including

purchasing energy efficient appliances continue to affect an overall decline in water revenues. High seasonal rain during the year also may have been a factor, as property owners did not need as much water to maintain their landscape.

With the addition of eight new sewer connections, wastewater revenues increased by new assessments billed when property owners hooked up to the system and to a lesser degree by their usage of the system. Local wastewater ordinances do not require property owners to hook into the sewer system until there is a septic system failure. An investment in sewer line expansion has resulted in more sewer connection capacity over the past few years, adding nearly 2 miles of system in 2009.

Analysis of Significant General Fund Budget Variations

A summary of General Fund budget to actual information may be found in the Required Supplementary Schedule on page 70 of the audit report.

Original to Revised Budget Changes

Within the Derry town government structure, the Town Council is authorized to adopt supplemental appropriations from time to time outside of the normal budget process. This ability allows town government to more easily take advantage of opportunities that may arise during the year.

This year a supplemental appropriation of $100,000 was authorized by the governing body to cover any excess costs associated with the heavy winter storm activity of the highway department. The council had also given direction to only take the revenue from the winter maintenance capital reserve if the town needed to in order to balance the department's budget. Though this request was prepared and approved, the town did not need to draw on the offsetting revenue stream at the end of the year to balance the budget, but it was available, if necessary.

The following amounts in the general fund were appropriated after the original budget was issued:

This year substantial adjustments occurred to realign the budget to reflect unanticipated loss of investment interest earnings and motor vehicle registration fees.

Adjustments to revenue were made at tax rate setting to reflect an increase in Meals & Rooms Tax revenue of $77,756, an increase in payments in lieu of taxes of 1,999 and a decrease in motor vehicle registration revenue of $82,000. The reduction to motor vehicle registration revenue made at tax rate setting was not enough to mitigate the dramatically lower revenues as trends were seen during the fiscal year, so a proposal to minimize the effect of an additional $400,000 reduction in motor vehicle revenue and $150,000 in lower investment interest revenue were planned. A hiring freeze was initiated and special approvals were obtained for hiring as the year ensued. In the mean time, the anticipated loss in revenue to the town was offset by reductions in budgetary expenditures from personnel and benefit costs: $250,000 from Police and $217,000 from Fire. Additionally, $8,000 savings was available from Fire HVAC costs due to energy improvements to the fire department's buildings; $10,000 from fire training $15,000 was available from diesel fuel budget due to policy changes to address energy conservation and

lower fuel prices. A budgeted bond interest payment due to a decision by council not to issue a bond in 2009 provided $50,000 savings.

The Council and Administrator, based on guidelines outlined in the Town charter, may transfer budgets to facilitate activities, which meet the timely needs of the Town.

The budget for legal services captured under the Finance division was increased $50,000 from administration budget where funds were set aside for union settlement costs.

Additionally, $64,350 was transferred to the Police department to cover the settlement of the Police Supervisors contract and $45,760 was transferred to the Public works division to cover the Teamsters contract and $10,500 was transferred to cover the impact of the PATE and AFSCME contracts in the Community Development area. The source of these transferred appropriations came from an administrative line in the executive budget for union settlements.

Due to the effect of the hiring freeze, funds were available from police, health, and fire/dispatch divisions that funded a transfer of $435,085 to the Florence Street Bridge Capital project. Sources to fund this transfer were: Personnel and benefits from Fire/Dispatch of $43,000, Police of $315,000, Health $47,585 and available funds from Fire/Dispatch: $3,000 from HVAC, $9,500 from supplies, $5,000 from gasoline and $12,000 from equipment purchases.

A transfer of $70,000 to the Fordway Bridge Capital Project was funded by appropriations in Administration of $10,300, Police of $40,000, Emergency Management of $10,000, and Business Development of $9,700. Unfortunately, business development funds were available as a result of a vacancy during the year.

Administration also transferred $6,032 from available wages from business development wages to cover an increase in audit service costs in Finance due to increased audit requirements due to new audit standards.

A community profile event was administered by Community Development; therefore, a budget of $4,100 was transferred from Business Development division to cover the cost of the activity.

Budget transfers to cover higher than anticipated costs are often funded within each department.

The Fire Department transferred $4,638 budgeted for storage rental fees to an account to purchase a storage solution to avoid recurring monthly rental fees. Redistributions to improve financial reporting was done in the Fire Department, but did not change the intent of the original budgeted transactions, rather improved recordkeeping: $5,950 moved from a general professional services category for software contract to be tracked in computer services and $33,000 for turnout gear moved from a supply line to an inventory category and $9,500 moved from a maintenance category to a capital category to cover a Hampstead Road project that reached the capitalization threshold.

The Police Department transferred $9,000 from capital outlay to a non-capital purchases account because the cost of a replacement copier was less than anticipated and therefore did not meet the threshold to capitalize and depreciate. The police department realigned their budget by $5,625 to purchase information network items from supply accounts versus contract repair or capital outlay accounts.

Human Services direct assistance provided $5,000 to transfer to Finance other professional services to cover increased costs associated with collections activities.

Increased expenditures associated with postage in Administration were funded by a $9,200 transfer within the same division from a contingency available in Other Professional Services.

The Information Technology division of the Executive department transferred $46,000 from general fund capital equipment to transfer the funds to a multiyear capital project in order to bid out a project with funds from 2008 and 2009 to build better technological connectivity between the fire station, police station and municipal center. Additionally, $9,900 was transferred to cover inventory related purchases from the service contract line within the information technology budget.

Final Budget to Actual Variances

General fund revenues overall were $.3 million stronger than anticipated and was affected by a few factors. Tax revenues exceeded budget by $435,000 due to collection of prior year tax liens. Of note, tax liens are not budgeted as revenue because they were levied to fund activities of prior tax years.

Motor Vehicle fees exceeded a lowered final budget by $103,000. The cars for clunkers program may have stimulated new car sales, but the value of the new cars registered was lower than estimated. A spike in registration volume in late June was evident, as residents were registering vehicles early to avoid increased state fees that became effective in the next fiscal year. The higher motor vehicle revenues did not offset building permit revenue being $141,000 below budget. Overall, license, permit and fee revenue tracked $41,000 below budget.

Intergovernmental revenue was $33,000 above budget as a result despite $12,000 lower health reimbursements for mosquito control because less spraying was warranted during the year. Unanticipated public safety program reimbursements for both Police and Fire also occurred.

Charge for service revenue was $218,000 below budget affected by a lag in construction/property development manifested in fewer police details ($86,000), building plan reviews and code enforcement ($34,000), building inspection services ($10,000), and GIS services ($5,000). Also affected by the economy as a result of unemployment and an increasing rate of uninsured, ambulance services also generated $8,000 less than budgeted. Transfer station revenues are also reflecting less volume as less recyclable waste is processed and sold.

After lowering the budget substantially, actual investment interest earned was $4,000 higher than budget.

Miscellaneous revenues exceeded budget by $93,000 and was affected by insurance reimbursements from workers compensation, disability or property insurance across most sectors of the town including fire, dispatch, administration, business development, finance. Town clerk earned $23,000 more in revenue than anticipated as a result of enforcing late fees and penalties for dog registrations. Highway division earned $25,000 more than budgeted for miscellaneous revenue as a result of the particularly harsh winter that caused higher sales of salt and sand to Pinkerton Academy and Parkland Medical Center through the town.

Overall, total general fund expenditures were $828,000 less than budgeted. The reasons for the difference are listed below:

Despite a reduction in police budget to offset needs in other divisions, Police and animal control did not expend $221,000 as a result of a hiring freeze during a period of a number of retirements. Though their were fewer police details, this lack of spending is budget neutral as it is offset by corresponding reimbursements from clients billed for the service.

Though Public Works was impacted by higher winter road maintenance expenditures including the cost of salt/sand, $100,000 was appropriated late in the year to cover a potential budget shortfall in this division. This factor combined with $95,000 less in expenditures for roadway maintenance and a hiring freeze were the two primary factors that lowered expenditures by $267,000 when compared to final budget appropriations.

The Executive division was $70,000 below budgeted expenditures affected by several notable factors: Health division was less than budget by $26,000 primarily due to favorable results from monitoring mosquito populations which required less spraying than budgeted. There was also $21,000 available from a contingency for union negotiations, $8,000 available from lower health insurance costs, $11,000 available from business development and $4,000 available from information technology.

The Finance department actual expenditures were $205,000 less than budgeted and was impacted by the following:

The town budgets an estimate for earned time payments and related wage benefit costs for eligible staff upon retirement. The amount incurred was $144,000 less than budgeted, but is offset by lower transfers in from the compensated absences capital reserves. Because it is budget neutral, it has no effect on net assets when not spent. This factor is responsible for lower Finance department expenditures and lower transfers in.

Continued verifications of human service applicant's eligibility and enhanced utilization of outside service agencies that reduce the cost of human service obligations born by taxpayers generated a $38,000 savings when compared to budgeted appropriations. The savings could have been greater except that the town responded to the increased humanitarian need during the ice storm totaling $24,000 more than normal due to the ice event. The food vouchers provided by the town were not reimbursed by FEMA because the food assistance provided to residents did not qualify under the specific type of federal emergency declaration.

The Town's General Fund balance differs from the General Fund's budgetary fund balance reported in the budgetary comparison because of differences in revenue and expense recognition.

Capital Asset and Long-Term Debt Activity

Capital Assets

Town of Derry, NH
Capital Assets 6/30/09 and 6/30/08
(Net of Depreciation)

	2009			2008		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
Land	$ 7,457,528	$ 278,174	7,735,702	$ 6,976,725	$ 269,191	7,245,916
Buildings	13,750,987	128,054	13,879,041	14,013,493	102,027	14,115,520
Vehicles & Equipment	4,498,936	212,183	4,711,119	4,815,800	236,308	5,052,108
Construction Work in Progress	1,871,772	32,295	1,904,067	1,457,789	21,483	1,479,272
Infrastructure & Improvements	80,847,048	28,349,733	109,196,781	80,296,780	28,532,050	108,828,830
Totals	$ 108,426,271	$ 29,000,439	$137,426,710	$107,560,587	$ 29,161,059	$136,721,646

Governmental Activities

There was marginal improvement in the Town's financial position in regard to capital assets during the year. In 2009, additions to capital assets totaling $1.9 million contributed to a net increase of $.9 million on capital asset value after depreciation and asset disposals over the prior year. This level of capital growth was achieved through capital donations and grants, capital leasing where appropriate, and use of funds previously designated for conservation land/easement acquisitions.

Assets disposed during the year included aging vehicles and equipment that had an aggregate net book value of $19,000. A new excavator was also added to the public works fleet to replace older equipment.

Several road dedications accepted by the Town's governing body represent the largest growth in capital assets. Investment in engineering and right of way acquisitions in our urban compact zone at the Rte 28 and Rte 102 intersection has been managed using town, state and federal money. Proposed completion of this project is expected to be in the summer of 2010. An extension of Manning Street was paved and named Courthouse Lane on a former rail line owned by the town. Manning Street had been re-routed when the Derry District Court was built in 1998. This new road should improve traffic flow in the downtown area.

Major acquisitions in 2009 are reported to the nearest thousand and are noted below:

- $558,000 – Donated Roadway Infrastructure
- $359,000 – Rt. 28 and Rt. 102 Intersection Improvement
- $225,000 – Central Court Land Purchase
- $180,000 – CAT M318D Excavator
- $135,000 – 112 English Range Rd.-Conservation Easement #2

- $126,000 – Courthouse Lane Roadway Addition
- $120,000 – Orchard Drive Conservation Land
- $100,000 – Florence Street Bridge

In order to bolster future economic development efforts, the Town purchased a parcel on Central Court abutting two other Town owned properties. These parcels are located in close proximity to the downtown business area.

The town successfully acquired a conservation easement on agricultural land on English Range Road as well as purchased a parcel on Orchard Dr. Both of these transactions were funded by accumulated land use change taxes 100% designated for conservation land acquisitions according to local government legislation. Land use change taxes are charged to land owners who change the land use category in order to develop large open space properties. The local governmental policy is meant to generate revenue to be available to conserve open space as other properties become developed.

There are three bridges (Florence Street, Fordway and South Avenue) scheduled to be replaced with a combination of local funding and state reimbursement grants. These remaining bridge projects are in the engineering stages and replacements are managed and coordinated with the NH Department of Transportation. The construction phase of Fordway Bridge, currently scheduled for the spring 2010, will be funded with 60% federal and 40% state aid highway funds.

The Town includes the historical cost or estimated fair value of infrastructure systems in its capital assets.

Condition assessment ratings are being used to determine the level of annual funding to maintain the quality of the roadway systems. The Town uses an engineer-developed Pavement Condition Index to determine the condition of its roadways. The analysis includes: inventory information to define the size and characteristics of each roadway; distress information to determine existence, severity and extent of physical problems; and drainage and roadway cross-section characteristics, particularly with respect to deficiencies.

In 2003, the Town of Derry adopted a conditional assessment PCI rating range of 68-80 for its roadway maintenance program, which is considered a "Good" assessment (a rating of 80 to 100 is considered "Excellent"). In FY 2009, a review year, a PCI rating of 78 was noted, which is in the upper range adopted by the Town Council. This PCI rating takes the baseline level that was adopted at last full review, and updates the system related to improvements to the system. Hence, the PCI indicator in any interim year maybe slightly overstated, but improvement to the rating reflects the progressive improvements in the roadway system since the last full system review. The Town currently estimates that an annual expenditure of $1,380,000 would be required to maintain the current rating level. In FY 2009, $1,285,000 was either expended or encumbered to maintain the roadways. Although the town spent $95,000 less than the roadway plan called for, town staff assisted with site work in an effort to keep costs down. Due to the high cost of asphalt in 2009, some overlay work was deferred in anticipation of lower asphalt costs as the barrel price of oil declines from a historically high level.

The Town may continue to value its roadway and sidewalk networks without depreciation because it is investing in and maintaining these assets at a measured level that demonstrates that

the assets are not deteriorating. (The official three year conditional assessment rating of 78 is within the adopted range.)

Business Type Activities

Sewer system expansion in the amount of $400,000 was the primary investment in business type activities in FY 2009. The investment in capital assets did not keep a pace with the level of depreciation as evidenced by a decline in the net book value of capital assets of $161,000 when compared to the prior year. This slowdown in investment was planned after substantial improvements in 2007, which included the construction of the Force Main project that expanded outflow capacity and net book value of the water/wastewater systems capital assets by over $3 million.

Also, there are two water system upgrades currently in the engineering phase. Re-construction of the Meadowbrook Community Well system upgrade will use federal funds originating from the American Recovery and Reinvestment Act of 2009 (ARRA) and passed thru the NH Department of Environmental Services.

Please refer to Note 8 for more detail about Capital Assets associated with Governmental and Business type activities.

Long-Term Debt

Governmental Activities

n

As of June 30, 2009, bonded debt for governmental activities decreased by $920,000.

Outstanding Debt
6/30/09 and 6/30/08 (in millions)

	Governmental Activities		Business-type Activities		Totals	
	2009	2008	2009	2008	2009	2008
General obligation bonds (Backed by the Town)	$ 6.84	$ 7.68	$ 5.48	$ 6.40	$ 12.32	$ 14.08
TIF financing bonds	1.92	2.00			1.92	2.00
	$ 8.76	$ 9.68	$ 5.48	$ 6.40	$ 14.24	$ 16.08
Annual change (decrease)	(0.92)		(0.92)		(1.84)	
Percent change	-9.5%		-14.4%		-11.4%	

The Town of Derry's bond rating was last reaffirmed as A1 in June, 2006 when Moody's Investor's Service assigned the premium rating to Derry in connection with a bond issue funding a police station addition and effluent main upgrades.

The Town obtains capital lease agreements with ease as several banking or leasing institutions compete for the Town's business when the town seeks to lease new equipment. Capital lease debt totaling $541,257 for governmental activities was lower than the prior year due to annual debt service payments. One public works vehicle lease was paid off in 2009 and was replaced by another public works vehicle lease. Strategically, the vehicle replacement program was designed to balance the debt service payments in order to stabilize the impact on the tax rate.

The construction phase of Rte 28 TIF roadway improvements was delayed because the developer share of the construction project was not raised. In FY10, the governing body has voted to raise funds to cover the revenue shortfall for the project.

The State of New Hampshire limits the amount of general obligation debt to 3% of the assessed value of all taxable property within the Town's corporate limits. The Town's outstanding general obligation debt of $10.4 million is favorable as it is significantly below the legal limit at 12.3% of the state imposed cap of $84.7 million for our community.

Other obligations include accrued vacation pay, sick leave and other post employment benefits (OPEB). More detailed information about the Town's long-term liabilities is presented in Note 11 to the financial statements.

Business Type Activities

After retiring a water main upgrade bond in the past year, water bond debt totaled $613,140 and is at the lowest level incurred in the past ten years. No new bond debt was issued for the water or wastewater funds during the year. The wastewater division retired a bond for septage and grit pits. Wastewater debt totals $4.8 million and is at the lowest level since 2002 due to annual debt service payments. By design, assessments paid by the Beaver Lake residents for a major sewer expansion project continues to generate cash flow that helps offset the Beaver Lake debt service payments that are nearing maturity. According to the Capital Improvement Plan, outstanding debt will continue to decrease until 2011.

Known Facts, Decisions, or Conditions Currently

Economic Factors and Next Year's Budgets and Rates

For several years in a row, the Town Services budget for fiscal year ending June 30, 2010 was set below the tax cap, once again. The tax rate that covers the 2010 fiscal year budget was set at $27.88, of which town services represent $9.39 of the tax rate. The average homeowner's tax bill increased 2%. If one compared the current rate with the prior year, the increase in the rate was substantially affected by a town-wide reassessment of properties in order to keep pace with the declining property values which affected not only Derry, but also had been occurring regionally and nationally.

The 2010 Capital Improvement Plan proposes expenditures of $1.79 million that include $.63 million for vehicles & equipment replacement for fire, police, highway, cable and water & wastewater, $0.6 million for fire, police, municipal, cultural, public works and recreational

facilities, $.30 to replace bridge infrastructure, $.21 million for water & wastewater infrastructure and $.05 million for sidewalk infrastructure. Of the capital plan budgeted funding sources, 98.3% are from operating revenue and other contributions, while trusts and capital reserves represent 1.7%.

The ongoing challenge regarding budgets is to provide an acceptable level of service to local residents while also funding a responsible capital improvement plan under our local tax cap. This challenge will become more of an issue in the future as our municipality bears greater personnel costs, notably due to the rising costs of retirement due to the insufficient funding level of the state retirement system. A 5% reduction in workforce was done to help lower costs. While losses were born across the town services to a certain degree, the public safety programs were affected the most.

Age distribution is of particular interest in developing projections, especially in long term planning. As of 2008, the estimated population of Derry was 34,071 up slightly from the actual 2000 census of 34,021, but less than the 2007 estimate of 34,200. The decrease, which also applied to Rockingham County (295,948 in 2007 vs. 295,525 in 2008), where Derry is located, is being attributed to aging population and less favorable economic conditions. Per the 2000 census, the median age in Derry was 33.6, the 10th lowest in the state and below the national average of 35.3, with 30.1% of the population under the age of 18 and 6.2% age 65 and older. The largest population group was the 35-44 year olds, making up 34.7% of the population. In 1990, the largest group was the 25-34 year olds. The fastest growing group by far is the 45-54 year old group, which increased by 64% over the past decade, while the nationwide increase was only 49.4%. Closely behind, the 55-59 year old age group increased by 40.2%. An aging population will demand more health services, social services, and recreational services.

On the opposite end of the age scale, 10-14 year olds increased by only 30% according to the census. The under 5-year old group declined by 10.5% in New Hampshire since 1990. This is in contrast to a 4.5% increase in the group nationwide. The total New Hampshire population is growing more slowly than the United States as a whole. This is of particular interest to capital planning for schools in this state.

Until 2006, median home prices for the purchase of a primary home in New Hampshire continued to rise. The purchase price of a new home in New Hampshire had increased from 2003 to 2006 by 17%, while the purchase price of existing homes has increased 19% during the same period. Following national trends primarily due to the recent credit crisis, for the years 2007 & 2008, the purchase price for a new home fell 6% compared to the 2006 average and the purchase price of an existing home fell 3%. Data available for the 1st half of 2009 shows a further erosion of purchase prices of 6% for new homes and 7% for existing homes compared to 2008 averages. In Derry, a reassessment was done to adjust property values of homes and as a result, is estimated to be at 95.2% of the median market value.

The regions per capita annual income ($43,623) exceeded the national level by more than 8% and ranked 10th highest in the nation. For renters, it takes an income of about $47,280 a year to cover the cost of a typical two-bedroom apartment (average rent of $1,182 per month including utilities, based on a cap of 30% of income to cover rent and utilities). Growth control and zoning restrictions further restrict the market, while containing sprawl.

Derry's unemployment rate (not seasonally adjusted) as of June 30, 2009 was 7.8%, up from 4.4% at June 30, 2008. While increasing at an unfavorable pace, Derry residents continue to fare

better than the national average of 9.5%, but have faced an unemployment rate that is 1% higher than the State of NH's level of 6.8%. The unemployment rate continues to be impacted by the general decline of the economy nationwide.

Inflation in the Greater Boston metropolitan area that includes the Town was lower than the U.S. City Average Consumer Price Index (CPI). The regions CPI rate declined 1.9% during the fiscal year 2009 compared with the national decline of 1.4%. Lower energy and housing costs compared to 2008 nationwide is representative of the decline in the consumer price index.

Please refer to the transmittal letter of the Comprehensive Annual Financial Report of the Town for more information regarding other economic data for our community.

Contacting the Town's Financial Management

This financial report is designed to provide Derry's citizens, taxpayers, customers, and investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have questions about this report or need additional financial information, please contact the Chief Financial Officer or Controller in the Derry, NH Finance Department at (603) 432-6103. The Chief Financial Officer may also be reached at frankchilds@ci.derry.nh.us and the Controller may be reached at janicemobsby@ci.derry.nh.us.

Workers Toil
With
Aftermath of Ice Storm

EXHIBIT A
TOWN OF DERRY, NEW HAMPSHIRE
Statement of Net Assets
June 30, 2009

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 46,116,131		$ 46,116,131
Investments	10,591,359	$ 430,426	11,021,785
Taxes receivable, net	8,006,240		8,006,240
Accounts receivable, net	118,435	767,136	885,571
Due from other governments	71,948		71,948
Internal balances	(2,031,882)	2,031,882	-
Prepaid items	176,643	8,167	184,810
Total Current Assets	63,048,874	3,237,611	66,286,485
Noncurrent Assets:			
Accounts receivable, net		334,067	334,067
Capital assets:			
Non-depreciable capital assets	84,449,616	310,469	84,760,085
Depreciable capital assets, net	23,976,655	28,689,970	52,666,625
Total Noncurrent Assets	108,426,271	29,334,506	137,760,777
Total Assets	$ 171,475,145	$ 32,572,117	$ 204,047,262
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 425,357	$ 57,291	$ 482,648
Accrued expenses	827,371	78,059	905,430
Retainage payable		21,644	21,644
Unearned revenue	34,045,262	9,886	34,055,148
Deposits payable	40,587		40,587
Due to other governments	9,007		9,007
Other liabilities	168,608		168,608
Current portion of compensated absences	538,721	16,318	555,039
Current portion of general obligation bonds payable	1,367,116	874,759	2,241,875
Current portion of tax increment financing bonds payable	80,000		80,000
Current portion of capital leases payable	258,588	1,310	259,898
Current portion of estimated liability for landfill postclosure care costs	16,797		16,797
Total Current Liabilities	37,777,414	1,059,267	38,836,681
Noncurrent Liabilities:			
Compensated absences	3,085,299	127,742	3,213,041
General obligation bonds payable	5,470,000	4,606,280	10,076,280
Tax increment financing bonds payable	1,840,000		1,840,000
Capital leases payable	282,669	1,362	284,031
Other post-employment benefits payable	773,695	49,910	823,605
Estimated liability for landfill postclosure care costs	106,249		106,249
Total Noncurrent Liabilities	11,557,912	4,785,294	16,343,206
Total Liabilities	49,335,326	5,844,561	55,179,887
NET ASSETS			
Invested in capital assets, net of related debt	99,127,898	23,516,728	122,644,626
Restricted			
Endowments - permanently restricted	4,853,017		4,853,017
Conservation	505,032		505,032
Economic development	113,227		113,227
Expendable capital reserve purposes	5,475,448		5,475,448
Tax increment financing	30,457		30,457
Unrestricted	12,034,740	3,210,828	15,245,568
Total Net Assets	122,139,819	26,727,556	148,867,375
Total Liabilities and Net Assets	$ 171,475,145	$ 32,572,117	$ 204,047,262

See accompanying notes to the basic financial statements

EXHIBIT B
TOWN OF DERRY, NEW HAMPSHIRE
Statement of Activities
For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Assets: Governmental Activities	Net (Expense) Revenue and Changes in Net Assets: Business-type Activities	Net (Expense) Revenue and Changes in Net Assets: Total
Governmental Activities:							
General government	$ 5,856,375	$ 46,770	$ 30,439		$ (5,779,166)		$ (5,779,166)
Public safety	18,927,195	1,075,782	1,598,284	$ 2,386	(16,250,743)		(16,250,743)
Highways and streets	4,059,063	29,679	617,211	916,933	(2,495,240)		(2,495,240)
Health and welfare	775,357	2,455	113,999		(658,903)		(658,903)
Sanitation	1,621,743	373,011	7,133		(1,241,599)		(1,241,599)
Culture and recreation	2,857,095	164,581	286	7,118	(2,685,110)		(2,685,110)
Conservation	13,089				(13,089)		(13,089)
Redevelopment and housing	57,093		2,093		(55,000)		(55,000)
Economic development	274,872		10,000		(264,872)		(264,872)
Interest on long-term debt	443,518		143,685		(299,833)		(299,833)
Total governmental activities	34,885,400	1,692,278	2,523,130	926,437	(29,743,555)	$ -	(29,743,555)
Business-type activities:							
Water	2,032,481	2,286,130				253,649	253,649
Sewer	1,935,968	1,866,285		93,155		23,472	23,472
Total business-type activities	3,968,449	4,152,415	-	93,155	-	277,121	277,121
Total primary government	$ 38,853,849	$ 5,844,693	$ 2,523,130	$ 1,019,592	(29,743,555)	277,121	(29,466,434)
General revenues:							
Property and other taxes					23,179,184		23,179,184
Licenses and permits					5,132,828		5,132,828
Grants and contributions not restricted to specific programs:							
State shared revenues					458,804		458,804
Rooms and meals tax distribution					1,529,118		1,529,118
State and federal forest land reimbursement					4,439		4,439
Interest and investment earnings					150,975	40,308	191,283
Miscellaneous					399,645	128,753	528,398
Contributions to permanent fund principal					13,350		13,350
Transfers					(5,391)	5,391	-
Total general revenues, contributions to permanent fund principal and transfers					30,862,952	174,452	31,037,404
Change in net assets					1,119,397	451,573	1,570,970
Net assets - beginning					121,020,422	26,275,983	147,296,405
Net assets - ending					$ 122,139,819	$ 26,727,556	$ 148,867,375

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF DERRY, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
June 30, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	$ 46,115,285	$ 846	$ 46,116,131
Investments	68,558	10,522,801	10,591,359
Taxes receivable, net	8,006,240		8,006,240
Accounts receivable, net	68,997	49,410	118,407
Due from other governments	24,116	47,832	71,948
Due from other funds	150,066	3,093,301	3,243,367
Prepaid items	36,437	140,206	176,643
Total Assets	$ 54,469,699	$ 13,854,396	$ 68,324,095
LIABILITIES			
Accounts payable	$ 316,074	$ 109,283	$ 425,357
Accrued expenditures	629,865	45,467	675,332
Unearned revenue	34,045,262		34,045,262
Deferred revenue	1,349,106		1,349,106
Deposits payable		40,587	40,587
Due to other governments	9,007		9,007
Due to other funds	5,114,767	160,454	5,275,221
Other liabilities	168,608		168,608
Total Liabilities	41,632,689	355,791	41,988,480
FUND BALANCES			
Reserved for endowments		4,853,017	4,853,017
Reserved for encumbrances	279,916	329,583	609,499
Reserved for prepaid items	36,437	140,206	176,643
Reserved for tax increment financing	30,457		30,457
Unreserved, reported in:			
General fund	12,490,200		12,490,200
Special revenue funds		6,498,122	6,498,122
Capital projects funds		1,378,833	1,378,833
Permanent funds		298,844	298,844
Total Fund Balances	12,837,010	13,498,605	26,335,615
Total Liabilities and Fund Balances	$ 54,469,699	$ 13,854,396	

Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	108,426,271
Property taxes and other revenues are recognized on an accrual basis in the statement of net assets, not the modified accrual basis	1,349,106
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year end consist of:	
General obligation bonds payable	(6,837,116)
Tax increment financing bonds payable	(1,920,000)
Capital leases payable	(541,257)
Accrued interest on long-term obligations	(152,039)
Estimated liability for landfill postclosure care costs	(123,046)
Other post-employment benefits payable	(773,695)
Compensated absences payable	(3,624,020)
Net assets of governmental activities	$ 122,139,819

See accompanying notes to the basic financial statements

EXHIBIT D

TOWN OF DERRY, NEW HAMPSHIRE

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2009

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	$ 23,202,298	$ 6,500	$ 23,208,798
Licenses and permits	4,937,740	195,088	5,132,828
Intergovernmental	3,844,102	679,055	4,523,157
Charges for services	1,629,102	3,028	1,632,130
Interest and investment income (loss)	544,367	(393,392)	150,975
Miscellaneous	450,823	49,416	500,239
Total Revenues	34,608,432	539,695	35,148,127
Expenditures:			
Current operations:			
General government	4,455,639	189,352	4,644,991
Public safety	17,490,424	652,373	18,142,797
Highways and streets	3,773,442		3,773,442
Health and welfare	677,705	94,228	771,933
Sanitation	1,576,541		1,576,541
Culture and recreation	1,385,290	1,259,446	2,644,736
Conservation	3,621	9,468	13,089
Redevelopment and housing	55,000	2,093	57,093
Economic development	220,282		220,282
Capital outlay	660,356	971,158	1,631,514
Debt service:			
Principal retirement	920,000		920,000
Interest and fiscal charges	764,404	2,705	767,109
Intergovernmental		12,826	12,826
Total Expenditures	31,982,704	3,193,649	35,176,353
Excess revenues over (under) expenditures	2,625,728	(2,653,954)	(28,226)
Other financing sources (uses):			
Proceeds from sale of capital assets	47,335		47,335
Issuance of capital leases	149,188	1,429	150,617
Transfers in	530,533	2,685,843	3,216,376
Transfers out	(2,677,763)	(544,004)	(3,221,767)
Premium paid on asset exchange	(7,500)		(7,500)
Total other financing sources (uses)	(1,958,207)	2,143,268	185,061
Net change in fund balances	667,521	(510,686)	156,835
Fund balances at beginning of year	12,169,489	14,009,291	26,178,780
Fund balances at end of year	$ 12,837,010	$ 13,498,605	$ 26,335,615

See accompanying notes to the basic financial statements

TOWN OF DERRY, 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 June 30, 2009

Net Change in Fund Balances--Total Governmental Funds	$ 156,835
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the current period.	(41,798)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the gain of disposed capital assets reduced by the actual proceeds received from the sale of capital assets.	(18,955)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	833,681
Proceeds from capital lease issues are other financing sources in the funds, but capital lease issues increase long-term liabilities in the statement of net assets.	(150,617)
Repayment of principal on bonds and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	1,242,132
In the statement of activities, interest is accrued on outstanding bonds and capital leases, whereas in governmental funds, an interest expenditure is reported when due.	1,459
Some expenses reported in the statement of activities, such as compensated absences, other post-employment benefits and the estimated liability for landfill post-closure care costs, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.	(903,340)
Change in Net Assets of Governmental Activities	$ 1,119,397

EXHIBIT E
TOWN OF DERRY, NEW HAMPSHIRE
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current Assets:			
Investments	$ 10,718	$ 419,708	$ 430,426
Accounts receivable, net	340,790	426,346	767,136
Due from other funds	1,638,711	393,171	2,031,882
Prepaid items	4,144	4,023	8,167
Total Current Assets	1,994,363	1,243,248	3,237,611
Noncurrent Assets:			
Accounts receivable, net	207,534	126,533	334,067
Non-depreciable capital assets	238,554	71,915	310,469
Depreciable capital assets, net	9,144,961	19,545,009	28,689,970
Total Noncurrent Assets	9,591,049	19,743,457	29,334,506
Total Assets	$ 11,585,412	$ 20,986,705	$ 32,572,117
LIABILITIES			
Current Liabilities:			
Accounts payable	$ 8,549	$ 48,742	$ 57,291
Accrued expenses	28,418	49,641	78,059
Retainage payable		21,644	21,644
Unearned revenue	9,473	413	9,886
Current portion of compensated absences	8,159	8,159	16,318
Current portion of bonds payable	163,140	711,619	874,759
Current portion of capital leases payable	655	655	1,310
Total Current Liabilities	218,394	840,873	1,059,267
Noncurrent Liabilities:			
Compensated absences	63,871	63,871	127,742
Bonds payable	450,000	4,156,280	4,606,280
Capital leases payable	681	681	1,362
Other post-employment benefits payable	24,955	24,955	49,910
Total Noncurrent Liabilities	539,507	4,245,787	4,785,294
Total Liabilities	757,901	5,086,660	5,844,561
NET ASSETS			
Invested in capital assets, net of related debt	8,769,039	14,747,689	23,516,728
Unrestricted	2,058,472	1,152,356	3,210,828
Total Net Assets	10,827,511	15,900,045	26,727,556
Total Liabilities and Net Assets	$ 11,585,412	$ 20,986,705	$ 32,572,117

See accompanying notes to the basic financial statements

EXHIBIT F
TOWN OF DERRY, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2009

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for services	$ 2,286,130	$ 1,866,285	$ 4,152,415
Miscellaneous	21,960	99,293	121,253
Total operating revenues	2,308,090	1,965,578	4,273,668
Operating expenses:			
Personal services	771,066	767,173	1,538,239
Repairs and maintenance	161,642	59,012	220,654
Materials and supplies	66,469	40,543	107,012
Utilities	667,403	287,709	955,112
Depreciation	198,619	471,137	669,756
Miscellaneous	128,849	88,459	217,308
Total operating expenses	1,994,048	1,714,033	3,708,081
Operating income	314,042	251,545	565,587
Non-operating revenues (expenses):			
Interest revenue	21,083	19,225	40,308
Interest expense	(38,433)	(221,935)	(260,368)
Gain on sale of asset	7,500		7,500
Net non-operating revenues (expenses)	(9,850)	(202,710)	(212,560)
Income before capital contributions and transfers	304,192	48,835	353,027
Capital contributions		93,155	93,155
Transfers in		21,711	21,711
Transfers out	(8,351)	(7,969)	(16,320)
Change in net assets	295,841	155,732	451,573
Total net assets at beginning of year	10,531,670	15,744,313	26,275,983
Total net assets at end of year	$10,827,511	$ 15,900,045	$ 26,727,556

See accompanying notes to the basic financial statements

EXHIBIT G
TOWN OF DERRY, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	$ 1,870,123	$ 1,754,462	$ 3,624,585
Cash receipts from interfund services provided	401,929		401,929
Other operating cash receipts	21,960	99,293	121,253
Cash paid to suppliers	(1,244,202)	(671,098)	(1,915,300)
Cash paid to employees	(545,879)	(550,805)	(1,096,684)
Net cash provided by operating activities	503,931	631,852	1,135,783
Cash flows from noncapital financing activities:			
Transfer to other funds	(8,351)	(7,969)	(16,320)
Net cash used for noncapital financing activities	(8,351)	(7,969)	(16,320)
Cash flows from capital and related financing activities:			
Capital contributions		93,155	93,155
Transfers from other funds		21,711	21,711
Purchases of capital assets	(60,470)	(437,293)	(497,763)
Proceeds from sale of capital assets	7,500		7,500
Principal paid on bonds payable	(231,800)	(701,463)	(933,263)
Principal paid on capital leases payable	(629)	(629)	(1,258)
Interest paid on long-term debt	(45,428)	(233,797)	(279,225)
Net cash used for capital and related financing activities	(330,827)	(1,258,316)	(1,589,143)
Cash flows from investing activities:			
Purchase of investments	(2,500)	(14,669)	(17,169)
Interest on investments	20,929	12,636	33,565
Net cash provided (used) by investing activities	18,429	(2,033)	16,396
Net increase (decrease) in cash and cash equivalents	183,182	(636,466)	(453,284)
Cash and cash equivalents at beginning of year (reported as due from other funds)	1,455,529	1,029,637	2,485,166
Cash and cash equivalents at end of year (reported as due from other funds)	$ 1,638,711	$ 393,171	$ 2,031,882
Reconciliation of operating income to net cash provided by operating activities:			
Operating income	$ 314,042	$ 251,545	$ 565,587
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	198,619	471,137	669,756
Changes in assets and liabilities:			
Accounts receivable, net	(15,108)	(111,238)	(126,346)
Prepaid items	68	802	870
Accounts payable	(21,704)	400	(21,304)
Accrued expenses	(1,069)	(8,262)	(9,331)
Unearned revenue	1,030	(585)	445
Compensated absences	3,098	3,098	6,196
Other post-employement benefits	24,955	24,955	49,910
Net cash provided by operating activities	$ 503,931	$ 631,852	$ 1,135,783
Supplemental disclosure of non-cash transactions:			
Cost basis of disposed capital assets	$ 28,578		$ 28,578
Capital asset additions included in year end liabilities	3,542	$ 44,357	47,899
Decrease in fair value of investments	2	406	408
	$ 32,122	$ 44,763	$ 76,885

See accompanying notes to the basic financial statements

EXHIBIT H
TOWN OF DERRY, NEW HAMPSHIRE
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009

	Private-Purpose Trust Funds	Agency Funds
ASSETS		
Cash and cash equivalents		$ 885,434
Investments	$ 327,466	406,196
Total assets	327,466	$ 1,291,630
LIABILITIES		
Due to other governments		$ 406,196
Due to other funds	28	
Deposits held for others		885,434
Total liabilities	28	$ 1,291,630
NET ASSETS		
Held in trust	327,438	
Total net assets	$ 327,438	

See accompanying notes to the basic financial statements

EXHIBIT I

TOWN OF DERRY, NEW HAMPSHIRE

Statement of Changes in Fiduciary Net Assets

Fiduciary Funds

For the Year Ended June 30, 2009

	Private-Purpose Trust Funds
ADDITIONS:	
Investment earnings:	
Investment income (loss)	$ (557)
Net decrease in the fair value of investments	(30,196)
Total Investment Earnings	(30,753)
Less investment expense	723
Net Investment Earnings	(31,476)
DEDUCTIONS:	
Benefits	7,908
Total Deductions	7,908
Change in Net Assets	(39,384)
Net assets - beginning of year	366,822
Net assets - end of year	$ 327,438

See accompanying notes to the basic financial statements

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The Town of Derry, New Hampshire (the Town) was incorporated in 1827. In March of 1993, the voters of the Town of Derry adopted a new charter which established a Town Council and Town Administrator form of government. The Town Administrator is the chief administrative officer and is responsible for the administrative and financial affairs and for carrying out the policies enacted by the Town Council.

The financial statements include those of the various departments governed by the Town Council and other officials with financial responsibility. The Town has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net assets and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. **Government-Wide Financial Statements:**

The statement of net assets and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net assets presents the financial condition of the governmental activities and business-type activities of the Town at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental and business-type activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

2. **Fund Financial Statements:**

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The

focus of governmental and proprietary fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Fund Accounting

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

1. **Governmental Funds:**

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

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

2. **Proprietary Funds:**

Proprietary fund reporting focuses on the determination of operating income, changes in net assets, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The Town has no internal service funds. The following are the Town's major proprietary funds:

The Water Fund accounts for all revenues and expenses pertaining to the Town's water operations.

The Sewer Fund accounts for all revenues and expenses pertaining to the Town's sanitation operations.

The Water and Sewer Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation) of providing goods or services to the residents on a continuing basis are financed or recovered primarily through user charges.

3. **Fiduciary Funds:**

Fiduciary fund reporting focuses on net assets and changes in net assets. The fiduciary fund category is split into two classifications: private purpose trust funds and agency funds.

Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town maintains four private purpose trust funds, which account for monies designated to benefit individuals within the Town. These funds are maintained by the Trustees of Trust Funds and have been established for the provisions of the Derry public schools, Derry Visiting Nurse Association, Inc. East Derry improvements, and Memorial Day flowers to be placed on an individual's cemetery lot.

The Town's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Town's agency fund accounts for the capital reserve funds of the Derry Cooperative School District, which are held by the Town as required by State law. Other agency funds consist of developer's performance bonds.

Measurement Focus

1. **Government-Wide Financial Statements:**

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

2. **Fund Financial Statements:**

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

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

The private purpose trust funds are reported using the economic resources measurement focus.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of deferred revenue, and in the presentation of expenses versus expenditures.

In the government-wide financial statements and proprietary fund statements, private-sector standards of accounting and financial reporting issued prior to December 1, 1989, are followed to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. The Town has elected not to follow the FASB pronouncements issued subsequent to November 30, 1989.

1. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Town, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 4). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Property taxes, intergovernmental revenues, and charges for services are recognized only as they become susceptible to accrual (measurable and available).

Licenses and permits and miscellaneous revenues (except interest on investments) are recorded as revenues when received in cash because they are generally not measurable until actually received.

2. Deferred Revenue:

Under both the accrual and the modified accrual basis of accounting, revenue may be recognized only when it is earned.

Unearned revenue arises when assets are recognized before the revenue recognition criteria have been met. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue.

Under the modified accrual basis of accounting, revenue must also be susceptible to accrual (measurable and available). Accordingly, receivables that will not be collected within the available period have been reported as deferred revenue on the governmental fund financial statements.

3. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

Budgetary Data

General government revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. The budget represents departmental appropriations as authorized by the Town Charter with annual or special budgetary public hearings. By the same procedures additional amounts may be appropriated during the year in emergency cases. There were several supplemental budgetary appropriations voted during the year. The Town Council adopts its budget under regulations of the New Hampshire Department of Revenue Administration which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the governmental unit as a whole rather than on the basis of fund types. Special Revenue Fund budgets for the cable television fund and Enterprise Fund budgets for the water and sewer departments are adopted. Capital Project Funds do not have adopted budgets.

State statutes require balanced budgets when the tax rates are set, but provide for the use of beginning General Fund Unreserved Fund Balance to reduce the property tax rate. For the year ended June 30, 2009, the Town applied $266,191 of its unappropriated fund balance to reduce taxes.

1. Intradepartmental Transfers

The Town Administrator may approve a transfer of appropriations from one budgeted account to another budgeted account within a department, provided that the transfer or transfers do not exceed the greater of 10 percent of the appropriated budget for the department for the fiscal year or $10,000, that funds are available to support the transfer and that the amount to be transferred is not essential for the effective operation of the account or accounts from which the transfer is to be made.

2. Interdepartmental Transfers

With the approval of the Town Council, the Town Administrator may transfer any unencumbered appropriation balance or any portion thereof from one department to another.

3. Lapse of Appropriations

All appropriations, and any amount which hasn't been spent, lapse at fiscal year's end, unless carried forward through encumbrances (commitments for spending in a binding way), with the exception of capital expenditures or dedicated funds permitted by State law. The purpose of any such appropriation shall be deemed abandoned after two years pass. An appropriation for a capital expenditure shall continue in force until the purpose for which it was made has been accomplished or abandoned.

4. Supplemental Appropriations

There were supplemental appropriations approved in the amount of $100,000 in fiscal year 2009. However, there was an additional resolution to lower the previously authorized appropriations in the amount of $450,000 to compensate for lower revenues than originally anticipated.

5. Legal Level of Control

The level of budgetary control (that is, the level at which expenditures cannot legally exceed the appropriated amount for each budget for which data is presented without the approval of the governing body) is the total budgeted amount for each department.

6. Limitation of Budget Increases

During 2004, the Town amended Section 9.4 of the Derry Town Charter regarding the limitation of budget increases. In accordance with this amendment, the Town Council in establishing a municipal budget shall be allowed to assume an estimated property tax rate only in an amount equal to the equalized tax rate established during the prior fiscal year increased by a factor equal to the change in the National Consumer Price Index as published by the United States Department of Labor for the calendar year immediately preceding budget adoption. The exception to this limitation regarding the inclusion of principal and interest on municipal bonds remained unchanged.

Investments

Investments are stated at their fair value in all funds.

Taxes Receivable

Taxes levied during the current year and prior and uncollected at June 30, 2009 are recorded as receivables net of reserves for estimated uncollectibles of $895,000.

Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2009 are recorded as prepaid items.

Inventory

On government-wide financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

On fund financial statements, inventories of governmental funds are stated at cost. Cost is determined on a first-in, first out basis. Inventory in governmental funds consists of expendable supplies held for consumption. The cost of inventory items is recorded as an expenditure in the governmental fund types when purchased.

Capital Assets

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

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the date received. The Town maintains a capitalization threshold of $10,000. The Town's infrastructure consists of roads, bridges, sidewalks, and similar items. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

The Town has elected to use the "modified approach" as defined by GASB Statement No. 34 for infrastructure reporting on its roadways and sidewalks. As a result, no accumulated depreciation or depreciation expense has been recorded for these assets.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure are estimated based on the Town's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

Description	Years
Buildings and improvements	10-50
Equipment and vehicles	5-10
Infrastructure and other assets	20-50

Compensated Absences

Employees earn vacation and sick leave as they provide services. Provision is made in the annual budget for vacation and sick leave. Pursuant to the Town personnel policy and collective bargaining agreements, employees may accumulate (subject to certain limitations) unused sick pay earned and, upon retirement, resignation or death will be compensated for such amounts at current rates of pay.

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

Accrued Liabilities and Long-Term Obligations

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

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net

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

Fund Balance Reserves

The Town reserves those portions of fund balance which are legally segregated for a specific future use or which do not represent available expendable resources and, therefore, are not available for appropriation or expenditure. Unreserved fund balance indicates that portion which is available for appropriation in future periods. A fund balance reserve has been established for encumbrances, prepaid items and tax increment financing.

Interfund Activity

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

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/ expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/ expenses to the funds that initially paid for them are not presented in the financial statements.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the water fund and sewer fund, these revenues are charges to customers for sales and services. Operating expenses, which include depreciation on capital assets, are necessary costs incurred to provide the service that is the primary activity of the proprietary fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates. Significant estimates include depreciation expense and the allowance for uncollectible taxes.

NOTE 2—RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The Statement of Revenue, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D) includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the Statement of Activities (Exhibit B).

One element of that reconciliation explains that "Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense." The details of this ($41,798) difference are as follows:

Capital outlay	$ 1,664,249
Depreciation expense	(1,706,047)
	$ (41,798)

Another element of that reconciliation states that "Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal." The details of this ($18,955) difference are as follows:

Gain on disposed capital assets	$ 28,380
Proceeds received from the sale of capital assets	(47,335)
	$ (18,955)

Another element of that reconciliation states that "Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds." The details of this $833,681 difference are as follows:

Deferred revenue - June 30, 2009	$ 1,349,106
Deferred revenue - June 30, 2008	(1,441,862)
Fair value of donated capital assets	926,437
	$ 833,681

Another element of that reconciliation states that "Proceeds from capital lease issues are other financing sources in the funds." The details of this ($150,617) difference are as follows:

Proceeds from capital leases	$ (150,617)

Another element of that reconciliation states that "Repayment of principal on bonds and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets". The details of this $1,242,132 difference are as follows:

Repayment of principal on general obligation bonds payable	$ 920,000
Repayment of principal on capital leases payable	322,132
	$ 1,242,132

Another element of that reconciliation states that "In the statement of activities, interest is accrued on outstanding bonds and capital leases, whereas in governmental funds, an interest expenditure is reported when due". The details of this $1,459 difference are as follows:

Accrued interest on long-term obligations - June 30, 2009	$ (152,039)
Accrued interest on long-term obligations - June 30, 2008	153,498
	$ 1,459

Another element of that reconciliation states that "Some expenses reported in the statement of activities, such as compensated absences, other post-employment benefits and the estimated liability for landfill postclosure care costs, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds." The details of this ($903,340) difference are as follows:

Long-term liabilities at June 30, 2009:	
Estimated liability for landfill postclosure care costs	$ (123,046)
Other post-employment benefits payable	(773,695)
Compensated absences payable	(3,624,020)
Long-term liabilities at June 30, 2008:	
Estimated liability for landfill postclosure care costs	137,100
Compensated absences payable	3,480,321
	$ (903,340)

NOTE 3--STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Town has no material violations of finance related provisions.

NOTE 4--PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 ($2,656,333,624 as of April 1, 2008) and are due in two installments on July 1, 2008 and December 4, 2008. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

Under State law, the Tax Collector obtains tax liens on properties which have unpaid taxes in the following calendar year after taxes were due for the amount of unpaid taxes, interest and costs. These priority tax liens accrue interest at 18% per annum. If the property is not redeemed within a two year redemption period, the property is tax deeded to the Town.

In accordance with State law, the Town collects taxes for the Derry Cooperative School District and Rockingham County, independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were $41,727,323 and $2,664,523 for the Derry Cooperative School District and Rockingham County, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes.

NOTE 5--RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2009, the Town was a member of the New Hampshire Public Risk Management Exchange (PRIMEX). The Town currently reports all of its risk management activities in its General Fund and Proprietary Funds. This Trust is classified as a "Risk Pool" in accordance with accounting principles generally accepted in the United States of America.

The Trust agreement permits the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at June 30, 2009.

Property and Liability Insurance

PRIMEX provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of PRIMEX, the Town shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. For the year ended June 30, 2009, the Trust retained $500,000 of each loss, up to an aggregate of $2,000,000. Each property loss is subject to a $1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

PRIMEX provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to $2,000,000. The program includes a Loss Fund from which is paid up to $500,000 for each and every covered claim.

NOTE 6--DEPOSITS AND INVESTMENTS

The Town has combined the cash resources of its governmental and proprietary fund types. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance.

Deposits and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of Net Assets:	
Cash and cash equivalents	$ 46,116,131
Investments	11,021,785
Statement of Fiduciary Net Assets:	
Cash and cash equivalents	885,434
Investments	733,662
Total deposits and investments	$ 58,757,012

Deposits and investments at June 30, 2009 consist of the following:

Cash on hand	$ 2,721
Deposits with financial institutions	46,998,844
Investments	11,755,447
Total deposits and investments	$ 58,757,012

The Town's investment policy for governmental and business-type funds requires that deposits and investments be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The Town limits its investments to demand deposits, money market accounts, certificates of deposit and repurchase agreements in accordance with New Hampshire State law (RSA 41:29) or the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool, in accordance with New Hampshire State law (RSA 197:23-a). Responsibility for the investments of the Trust Funds is with the Board of Trustees, who have employed professional banking assistance in accordance with New Hampshire State law (RSA 31:38a).

It is the Town's policy to invest all funds, other than Trust Fund investments, in a manner which will provide safety of principal with a market rate of return while maintaining a sufficient level of liquidity to meet the daily cash flows of the Town. In order to maintain liquidity, investments of operating funds shall have maturities of one year or less. Certain long-term reserve funds such as capital projects may be invested in securities exceeding one year if the maturity of such investments is made to coincide with the expected use of the funds.

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. One of the ways that the Town manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time.

The Town's investment policy minimizes interest rate risk by structuring its investment portfolio so that securities mature to meet cash requirements for ongoing operations. Not more than 5% of the Town's total investment portfolio is to be invested in securities with maturities greater than one year.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of investments by maturity:

		Remaining Maturity (in Years)		
Investment Type		0-1 Years	1-5 Years	> 5 Years
U.S. Treasury notes	$ 1,857,308	$ 1,070,247	$ 569,451	$ 217,610
U.S. Treasury bonds	125,336			125,336
Federal agency securities	165,469		165,469	
Corporate bonds	1,191,869	100,504	541,119	550,246
State investment pool	68,558	68,558		
	$ 3,408,540	$ 1,239,309	$ 1,276,039	$ 893,192

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The Town's investment policy addresses credit risk by limiting investments to the safest types of securities and diversifying the investment portfolio. With the exception of U.S. Treasury securities, U.S. Government agencies, and the New Hampshire Public Deposit Investment Pool, no more than 75% of the Town's total investment portfolio will be invested in a single security type or with a single financial institution, unless 100% collateralized.

The following is the actual rating as of year end for each investment type.

		Rating as of Year End				
Investment Type		AA+	AA-	A+	A	Not rated
Corporate bonds	$ 1,191,869	$ 156,078	$ 204,561	$ 257,678	$ 573,552	
State investment pool	68,558					$ 68,558
Money market funds	6,538,861					6,538,861
	$ 7,799,288	$ 156,078	$ 204,561	$ 257,678	$ 573,552	$ 6,607,419

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

In accordance with the Town's investment policy, all security transactions, including collateral for repurchase agreements, shall be conducted on a "delivery vs. payment" basis. Securities will be held by a third party custodian, or trust department designated by the Treasurer and evidenced by safekeeping receipts. The collateral shall only consist of securities in which Towns may invest, as provided in New Hampshire State law (RSA 368:57).

The Town's policy for investments under the custodianship of the Trustees of Trust Funds follow the prudent investor guidelines which allow for various investments as long as these investments would be acquired by prudent persons of discretion and intelligence in investment matters, who are seeking a reasonable income and the preservation of capital. Upon advice of the contracted, qualified external money management company, the Town may invest in corporate stocks, bonds or other debentures subject to limitations in New Hampshire State law (RSA 386:57).

As of June 30, 2009, Town investments in the following investment types were held by the same counterparty that was used to buy the securities.

Investment Type	Reported Amount
U.S. Treasury notes	$ 1,857,308
U.S. Treasury bonds	125,336
Federal agency securities	165,469
Corporate bonds	1,191,869
Equity securities	1,808,046
Money market funds	6,538,861
	$ 11,686,889

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair values of an investment or deposit. As of June 30, 2009, the Town held $402,159 in foreign equity securities.

The Town's investments in foreign currency are held by the Trustees of Trust Funds, which follow the prudent investor guidelines. Currently, the Town has no formal investment policy for assurance against foreign currency risk.

Investment in NHPDIP

The Town is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP). The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by state law and is administered by a public body of state, local and banking officials.

Investments in the NHPDIP are not investment securities and, as such, are not categorized by risk. The Town's exposure to derivatives is indirect through its participation in the NHPDIP. The Town's proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the value of the pool shares.

NOTE 7--DUE FROM OTHER GOVERNMENTS

Receivables from other governments at June 30, 2009 consist of various federal and state fundings. All receivables are considered collectible in full and will be received within one year. A summary of the principal items of intergovernmental receivables is as follows:

Medicare Part D subsidy reimbursement	$ 16,604
Public safety grants	16,181
Public health network grant	20,581
Highway improvement grant	11,070
Household hazardous waste grant	7,512
	$ 71,948

NOTE 8--CAPITAL ASSETS

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

	Balance 07/01/08	Additions	Reductions	Balance 06/30/09
Governmental activities:				
Capital assets not depreciated:				
Land	$ 6,976,725	$ 480,803		$ 7,457,528
Infrastructure and other assets	74,337,370	902,274	$ (119,328)	75,120,316
Construction in process	1,457,789	1,270,152	(856,169)	1,871,772
Total capital assets not being depreciated	82,771,884	2,653,229	(975,497)	84,449,616
Other capital assets:				
Buildings and improvements	17,801,723	197,504		17,999,227
Equipment and vehicles	10,675,265	683,653	(162,780)	11,196,138
Infrastructure and other assets	8,038,936	60,375		8,099,311
Total other capital assets at historical cost	36,515,924	941,532	(162,780)	37,294,676
Less accumulated depreciation for:				
Buildings and improvements	(3,788,230)	(460,010)		(4,248,240)
Equipment and vehicles	(5,859,465)	(981,562)	143,825	(6,697,202)
Infrastructure and other assets	(2,079,526)	(293,053)		(2,372,579)
Total accumulated depreciation	(11,727,221)	(1,734,625)	143,825	(13,318,021)
Total other capital assets, net	24,788,703	(793,093)	(18,955)	23,976,655
Total capital assets, net	$ 107,560,587	$ 1,860,136	$ (994,452)	$ 108,426,271

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

	Balance 07/01/08	Additions	Reductions	Balance 06/30/09
Business-type activities:				
Capital assets not depreciated:				
Land	$ 269,191	$ 8,983		$ 278,174
Construction in process	21,483	447,894	$ (437,082)	32,295
Total capital assets not being depreciated	290,674	456,877	(437,082)	310,469
Other capital assets:				
Buildings and improvements	119,563	29,525		149,088
Equipment and vehicles	697,421	31,717	(28,578)	700,560
Infrastructure and other assets	39,702,298	428,099		40,130,397
Total other capital assets at historical cost	40,519,282	489,341	(28,578)	40,980,045
Less accumulated depreciation for:				
Buildings and improvements	(17,536)	(3,498)		(21,034)
Equipment and vehicles	(461,113)	(55,842)	28,578	(488,377)
Infrastructure and other assets	(11,170,248)	(610,416)		(11,780,664)
Total accumulated depreciation	(11,648,897)	(669,756)	28,578	(12,290,075)
Total other capital assets, net	28,870,385	(180,415)	-	28,689,970
Total capital assets, net	$ 29,161,059	$ 276,462	$ (437,082)	$ 29,000,439

Depreciation expense was charged to functions/programs as follows:

Governmental activities:	
General government	$ 432,967
Public safety	666,135
Highways and streets	248,073
Health and welfare	7,358
Sanitation	54,733
Culture and recreation	296,781
	$ 1,706,047
Business-type activities:	
Water Fund	$ 198,619
Sewer Fund	471,137
	$ 669,756

A reconciliation of the total additions to accumulated depreciation to the depreciation expense charged by function is as follows:

Total additions to depreciation	$ 1,734,625
Less accumulated depreciation on assets transferred from business-type activities to governmental activities	(28,578)
Depreciation expense by function	$ 1,706,047

The balance of the assets acquired through capital leases as of June 30, 2009 is as follows:

	Governmental Activities	Business-type Activities	Total
Equipment and vehicles	$ 1,242,733	$ 6,486	$ 1,249,219
Less accumulated depreciation for:			
Equipment and vehicles	(329,346)	(4,000)	(333,346)
	$ 913,387	$ 2,486	$ 915,873

During the year ending June 30, 2009, the Town received donated capital assets. These assets have been recorded at their fair value as of the date received and are included in the government-wide financial statements. The total value received and capitalized during the year is as follows:

Infrastructure and other assets	$ 558,000
Construction in process	358,933
Equipment and vehicles	9,504
	$ 926,437

NOTE 9—DEFINED BENEFIT PENSION PLAN

Plan Description

The Town contributes to the New Hampshire Retirement System (NHRS), a cost-sharing multiple-employer defined benefit pension plan administered by the NHRS Board of Trustees. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit

provisions are established and may be amended by the New Hampshire State legislature. The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301.

Funding Policy

Covered public safety employees are required to contribute 9.3% of their covered salary, whereas general employees are required to contribute 5.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers, fire employees, and general employees were 11.84%, 15.92%, and 8.74%, respectively. The Town contributes 65% of the employer cost for police officers and fire employees, and the State contributes the remaining 35% of the employer cost. The Town contributes 100% of the employer cost for general employees of the Town. In accordance with accounting principles generally accepted in the United States of America (GASB #24), on-behalf fringe benefits contributed by the State of New Hampshire of $754,634 have been reported as a revenue and expenditure of the General Fund in these financial statements. Amounts applicable to the Special Revenue Funds are not material to these financial statements.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's contributions to the NHRS for the years ending June 30, 2009, 2008, and 2007 were $1,988,598, $2,009,436, and $1,745,012, respectively, equal to the required contributions for each year.

NOTE 10--OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the Town provides medical benefits to its eligible retirees. Employees are required to reach age 50 with 10 years of service or age 60 with no service requirement to qualify for this benefit. Retirees pay the full cost of the health care coverage.

During the year, the Town prospectively implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 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 revenues, expenses, and changes in net assets 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 Assets over time.

Annual OPEB Costs

The Town's fiscal 2009 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid, on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of thirty years. The Town's annual OPEB cost for the year ending June 30, 2009 including the amount actually

contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of June 30, 2007 is as follows:

Annual Required Contribution (ARC)	$ 1,041,450
Interest on net OPEB obligation	-
Annual OPEB cost	1,041,450
Contributions made	(217,845)
Increase in net OPEB obligation	823,605
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	$ 823,605

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for year ended June 30, 2009 are as follows:

Year Ended	Annual OPEB Cost	Percentage of OPEB Cost Contributed	Net OPEB Obligation
6/30/2009	$ 1,041,450	20.9%	$ 823,605

The Town's net OPEB obligation as of June 30, 2009 is recognized as a liability in these financial statements.

Funded Status and Funding Progress for OPEB

The funded status of the plan as of June 30, 2007, the date of the most recent actuarial valuation is as follows:

Actuarial Accrued Liability (AAL)	$ 8,054,538
Actuarial value of plan assets	932,498
Unfunded Actuarial Accrued Liability (UAAL)	$ 7,122,040
Funded ratio (actuarial value of plan assets/AAL)	11.6%
Covered payroll (active plan members)	$ 18,334,303
UAAL as a percentage of covered payroll	38.8%

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

Actuarial Methods and Assumptions for OPEB

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

In the June 30, 2007 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 5.0% investment rate of return. The amortization costs for the initial Unfunded Actuarial Accrued Liability (UAAL) is a level percentage of payroll for a period of thirty years on an open group basis. This has been calculated assuming the amortization payment increases at a rate of 4.5% per year.

NOTE 11--LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town's long-term obligations for the year ended June 30, 2009 are as follows:

	Balance 07/01/08	Additions	Reductions	Balance 06/30/09	Due Within One Year
Governmental activities:					
General obligation bonds payable	$ 7,677,116		$ (840,000)	$ 6,837,116	$ 1,367,116
Tax increment financing bonds payable	2,000,000		(80,000)	1,920,000	80,000
Capital leases payable	712,772	$ 150,617	(322,132)	541,257	258,588
Compensated absences	3,480,321	1,909,049	(1,765,350)	3,624,020	538,721
Other post-employment benefits	-	978,338	(204,643)	773,695	-
Estimated liability for landfill postclosure care costs	137,100		(14,054)	123,046	16,797
Totals	$ 14,007,309	$ 3,038,004	$ (3,226,179)	$ 13,819,134	$ 2,261,222
Business-type activities:					
General obligation bonds payable	$ 6,414,302		$ (933,263)	$ 5,481,039	$ 874,759
Capital leases payable	3,930		(1,258)	2,672	1,310
Compensated absences	137,864	$ 103,410	(97,214)	144,060	16,318
Other post-employment benefits	-	63,112	(13,202)	49,910	-
Totals	$ 6,556,096	$ 166,522	$ (1,044,937)	$ 5,677,681	$ 892,387

Payments on the general obligation bonds, capital leases and landfill postclosure care costs are paid out of the General Fund. Payments on the tax increment financing bonds payable are paid out of the General Fund and the Ash Street Corporate Park TIF Capital Projects Fund. Payments on the general obligation bonds, notes payable and capital leases payable of the business-type activities are paid out of the Water and Sewer Funds. Compensated absences and other post-employment benefits will be paid from the fund where the employee's salary is paid.

General Obligation Bonds

General obligation bonds payable at June 30, 2009 is comprised of the following individual issues:

	Interest Rate	Final Maturity Date	Annual Principal Payment	Amount Issued	Balance at 6/30/09
Governmental activities:					
Library Addition and Ash Street Bypass	6.75%-6.80%	7/15/09	$ 110,000	$ 3,393,000	$ 110,000
Court House	5.25%-5.625%	7/15/15	90,000	1,839,710	630,000
Land Purchase	4.00%-4.80%	1/15/19	25,000-150,000	1,735,000	250,000
Humphrey Field House	5.375%-5.75%	1/15/20	90,000-95,000	1,890,000	1,035,000
Humphrey Road Complex	4.75%-5.25%	1/15/21	20,000-25,000	489,605	290,000
Municipal Center	4.25%-5.00%	2/1/21	150,000	3,000,000	1,800,000
Municipal Services Infrastructure	3.20%-4.00%	3/15/24	75,000	1,500,000	1,125,000
Police Station Addition	4.10%-5.00%	6/15/26	50,000	1,000,000	850,000
Highway Garage Replacement bond anticipation note	3.20%	6/29/10	600,000	600,000	600,000
Exit 4A bond anticipation note	3.20%	6/29/10	147,116	147,116	147,116
					$ 6,837,116

	Interest Rate	Final Maturity Date	Annual Principal Payment	Amount Issued	Balance at 6/30/09
Business-type activities:					
Water Fund:					
4 Million Gallon Water Tank	6.875%-7.00%	1/15/10	$ 113,140	$ 2,500,000	$ 113,140
Water Main Upgrade	3.90%-5.00%	8/15/18	50,000	1,000,000	500,000
					613,140
Sewer Fund:					
Horne Brook Interceptor	5.00%	6/15/13	41,076-89,237	1,244,714	336,089
Beaver Lake Sewer	6.80%-6.875%	1/15/10	80,000	1,607,000	80,000
Beaver Lake Sewer	6.875%-7.00%	1/15/10	31,860	486,500	31,860
Beaver Lake Sewer	6.70%-6.80%	1/15/10	100,000	2,013,500	100,000
Beaver Brook III Interceptor	4.94%	8/15/12	32,717-81,841	1,075,451	304,950
Upgrade Sewer Lagoons	4.90%-5.875%	8/15/13	115,000-120,000	2,358,000	575,000
Wastewater Force Main	2.50%-3.25%	5/15/23	185,000	3,700,000	2,590,000
Wastewater Effluent Upgrade	4.10%-5.00%	6/15/26	50,000	1,000,000	850,000
					4,867,899
					$ 5,481,039

Debt service requirements to retire general obligation bonds for governmental activities at June 30, 2009 are as follows:

Year Ending June 30,	Principal	Interest	Totals
2010	$ 1,367,116	$ 304,831	$ 1,671,947
2011	510,000	253,864	763,864
2012	510,000	230,139	740,139
2013	510,000	206,382	716,382
2014	510,000	182,620	692,620
2015-2019	2,275,000	571,464	2,846,464
2020-2024	1,055,000	133,000	1,188,000
2025-2026	100,000	7,500	107,500
	$ 6,837,116	$ 1,889,800	$ 8,726,916

As included on the Statement of Activities (Exhibit B), interest for the year ended June 30, 2009 was $300,542 on general obligation debt for governmental activities.

A portion of the interest paid on the above bonds to the New Hampshire Municipal Bond Bank is refunded annually to reflect current interest rates.

The State of New Hampshire annually reimburses the Town for its share of the courthouse and landfill closure related debt service payments. For the year ended June 30, 2009, the reimbursement was $127,305 and $16,380 for the courthouse and landfill closure debt service payments, respectively.

Debt service requirements to retire general obligation bonds for business-type activities at June 30, 2009 are as follows:

Water Fund

Year Ending June 30,	Principal	Interest	Totals
2010	$ 163,140	$ 32,214	$ 195,354
2011	50,000	21,250	71,250
2012	50,000	18,750	68,750
2013	50,000	16,250	66,250
2014	50,000	13,750	63,750
2015-2019	250,000	31,250	281,250
	$ 613,140	$ 133,464	$ 746,604

Sewer Fund

Year Ending June 30,	Principal	Interest	Totals
2010	$ 711,619	$ 199,609	$ 911,228
2011	506,550	165,000	671,550
2012	513,652	143,542	657,194
2013	521,078	121,760	642,838
2014	350,000	99,176	449,176
2015-2019	1,175,000	354,998	1,529,998
2020-2024	990,000	130,735	1,120,735
2025-2026	100,000	7,500	107,500
	$ 4,867,899	$ 1,222,320	$ 6,090,219

The State of New Hampshire annually reimburses the Town for its share of Sewer related debt service payments. For the year ended June 30, 2009, the reimbursement was $93,155.

As included on the Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Funds (Exhibit F), interest expense for the year ended June 30, 2009 was $260,255 on general obligation debt for business-type activities.

Tax Increment Financing Bonds

Tax increment financing bonds payable at June 30, 2009 is comprised of the following individual issue:

	Interest Rate	Final Maturity Date	Annual Payment	Amount Issued	Balance at 6/30/09
Governmental activities:					
Ash Street Corporate Park	4.25%-5.00%	4/15/33	$ 80,000	$2,000,000	$ 1,920,000

Debt service requirements to retire tax increment financing bonds for governmental activities at June 30, 2009 are as follows:

Year Ending June 30,	Principal	Interest	Totals
2010	$ 80,000	$ 90,000	$ 170,000
2011	80,000	86,600	166,600
2012	80,000	83,200	163,200
2013	80,000	79,800	159,800
2014	80,000	76,400	156,400
2015-2019	400,000	330,400	730,400
2020-2024	400,000	239,200	639,200
2025-2029	400,000	140,000	540,000
2030-2033	320,000	40,000	360,000
	$ 1,920,000	$ 1,165,600	$ 3,085,600

As included on the Statement of Activities (Exhibit B), interest for the year ended June 30, 2009 was $92,692 on tax increment financing bonds for governmental activities.

The Town has pledged a portion of future tax increment financing revenues to repay $2,000,000 in tax increment bonds issued in April 2004 to finance the economic development of the Ash Street Corporate Park. The bonds are payable solely from the tax increment financing taxes generated by businesses in the commercial/light industrial park Incremental taxes were projected to produce 162.5 percent of the debt service requirements over the life of the bonds. Total principal and interest remaining on the bonds is $3,085,600, payable through April 2033. For the current year, principal and interest paid and total tax increment finance revenues were $173,400 and $190,983, respectively.

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet

payment obligations. Amounts are annually budgeted in the applicable function. Following are the individual capital lease obligations at June 30, 2009:

	Interest Rate	Final Maturity Date	Annual Payment	Amount Issued	Balance at 6/30/09
Governmental activities:					
2006 Copiers	4.10%	8/1/10	$ 23,367	$ 100,385	$ 41,338
2007 Code Enforcement Vehicle	4.36%	8/4/10	4,131	19,000	7,752
2007 Public Works Vehicles	4.36%	8/4/10	24,929	114,655	46,777
2007 Parks and Recreation Vehicles	4.36%	8/4/10	8,512	39,148	15,971
2007 Police Vehicles	4.36%	9/11/10	29,693	136,566	55,716
2007 Police Vehicle	4.36%	11/9/10	3,138	14,434	5,889
2008 Cemetery Vehicle	4.44%	8/15/11	10,517	48,299	28,943
2008 Public Works Vehicle	4.44%	8/15/11	27,435	125,999	75,504
2008 Parks and Recreation Vehicles	4.44%	8/15/11	9,149	42,017	25,179
2008 Police Vehicles	3.48%	2/1/10	93,500	271,172	90,355
2008 Police Laptops	10.01%	3/14/11	17,109	59,648	29,689
2009 Copiers	3.53%	8/1/12	1,228	5,717	4,506
2009 Public Works Vehicle	3.94%	10/1/12	31,262	144,900	113,638
					$ 541,257

	Interest Rate	Final Maturity Date	Annual Payment	Amount Issued	Balance at 6/30/09
Business-type activities:					
Water Fund:					
2006 Copier	4.10%	8/1/10	$ 675	$ 3,243	$ 1,336
Sewer Fund:					
2006 Copier	4.10%	8/1/10	675	3,243	1,336
					$ 2,672

Debt service requirements to retire capital lease obligations outstanding for governmental activities at June 30, 2009 are as follows:

Year Ending June 30,	
2010	$282,551
2011	189,052
2012	79,591
2013	32,489
Total minimum lease payments	583,683
Less: amount representing interest	(42,426)
Present value of minimum lease payments	$541,257

Debt service requirements to retire capital lease obligations outstanding for business-type activities at June 30, 2009 are as follows:

Year Ending June 30,	Water Fund	Sewer Fund
2010	$ 709	$ 709
2011	709	709
Total minimum lease payments	1,418	1,418
Less: amount representing interest	(82)	(82)
Present value of minimum lease payments	$ 1,336	$ 1,336

Authorized and Unissued Debt

As of June 30, 2009, the Town had the following debt authorized and unissued:

Description	Amount
Exit 4-A	$ 3,608,147
Route 28 Corridor TIF District	4,900,000
	$ 8,508,147

Subsequent to year end, the Town Council approved a supplemental bond authorization (see Note 20).

Available Debt Margin

The Town is subject to State statute which limits debt outstanding to a percentage (dependent of purpose) of a valuation calculation made annually by the State. As of June 30, 2009, the Town had an available debt margin of $281,999,607 for water and $74,338,561 for all other purposes. Per State law, debt incurred for sewer expansion, landfill cleanup, and tax increment financing is not included in the limitation calculations.

NOTE 12--LANDFILL POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. An estimated liability has been recorded based on the future postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. These landfill postclosure care costs are based on the amount of the landfill used. The estimated liability for landfill postclosure care costs has a balance of $123,046 as of June 30, 2009, which is based on 100% usage of the landfill. The estimated total current cost of the landfill postclosure care of $123,046 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of June 30, 2009. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The Town's landfill was closed during the year ended June 30, 1987. The closure and remaining postclosure care costs are financed through the issuance of debt and grant proceeds from the State of New Hampshire. The Town has issued $1,320,000 and $840,000 in general obligation bonds for the closure of the landfill during the years ended June 30, 1985 and 1998, respectively.

The following is a summary of changes in the estimated liability for postclosure care costs for the year ended June 30, 2009:

Balance - July 1, 2008	$ 137,100
Current year expenditures	-
Net change in estimated liability for postclosure care costs	(14,054)
Balance - June 30, 2009	$ 123,046

NOTE 13--INTERFUND BALANCES AND TRANSFERS

The Town has combined the cash resources of its governmental and proprietary fund types. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2009 are as follows:

	Due from			
Due to	General Fund	Nonmajor Governmental Funds	Fiduciary Funds	Totals
General Fund		$150,038	$ 28	$ 150,066
Nonmajor Governmental Funds	$ 3,082,885	10,416		3,093,301
Water Fund	1,638,711			1,638,711
Sewer Fund	393,171			393,171
	$ 5,114,767	$160,454	$ 28	$ 5,275,249

During the year, several interfund transactions occurred between funds. The various transfers between the General Fund, Nonmajor Governmental Funds and Sewer Fund were made in accordance with budgetary authorizations. Transfers of $123,528 out of the Permanent Funds to the General Fund and other Nonmajor Governmental Funds were to distribute the earned income during the year to support the Town's programs. Transfers of $8,351 and $7,969 out of the Water Fund and Sewer Fund, respectively to the other Nonmajor Governmental Funds were to reimburse the Ice Storm Fund for the applicable fund's share of incurred costs not eligible for disaster assistance from the federal government.

Interfund transfers for the year ended June 30, 2009 are as follows:

	Transfer from				
Transfer to	General Fund	Nonmajor Governmental Funds	Water Fund	Sewer Fund	Totals
General Fund		$ 530,533			$ 530,533
Nonmajor Governmental Funds	$ 2,656,052	13,471	$ 8,351	$ 7,969	2,685,843
Sewer Fund	21,711				21,711
	$ 2,677,763	$ 544,004	$ 8,351	$ 7,969	$ 3,238,087

NOTE 14--PERMANENT FUNDS

Permanent funds account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the Town's programs. Principal and income balances at June 30, 2009 are as follows:

	Principal	Income	Total
General cemetery care	$ 1,955,066	$ 105,499	$ 2,060,565
Parks and playgrounds	2,758,799	168,150	2,926,949
Libraries	75,732	1,133	76,865
Highways and streets	24,973	9,879	34,852
Human services	38,447	14,183	52,630
	$ 4,853,017	$ 298,844	$ 5,151,861

NOTE 15—UNRESERVED FUND BALANCE

The components of unreserved fund balance as of June 30, 2009 are as follows:

	General Fund	Other Governmental Funds
Designated for compensated absences	$ 554,369	
Designated for tax rate reduction	772,116	
Undesignated, reported in:		
General Fund	11,163,715	
Special Revenue Funds		$ 6,498,122
Capital Projects Funds		1,378,833
Permanent Funds		298,844
	$ 12,490,200	$ 8,175,799

NOTE 16–TOP TAXPAYERS

The following are the five major property owners as they relate to the assessed valuation of $2,656,333,624 (as of April 1, 2008):

Taxpayer	Property Valuation	Percentage of Total Valuation
Greenways Limited Partnership (Fairways)	$ 55,327,060	2.23%
Campbell, Gilbert G. (Aladden Village & Derry Country Club Estates)	39,487,500	1.59%
HCA Health Services (Parkland Medical Center)	20,304,200	0.82%
Mariner Derry Meadows LLC	19,137,300	0.77%
WP Hood Associates, LLC (Hood Plaza)	15,169,800	0.61%

NOTE 17—ENDOWMENTS

Under state laws governing endowment funds received by a municipality, the trustees may expend income and net appreciation of $298,844 earned on endowment investments. Permanently restricted endowment funds are reflected at cost on the Statement of Net Assets. Unexpended net income and the depreciation in funds of $40,792 are included in unrestricted net assets since the Trustees of Trust Funds may expend these funds for the purposes intended by the endowments for specific operating expenditures.

NOTE 18–PERFORMANCE DEPOSITS

The Town requires performance bonds or letters of credit from developers until projects have been completed to Town standards. At June 30, 2009, the Town held performance bonds totaling $47,860,000. Letters of Credit with a value of $3,232,281 are not included in these financial statements.

NOTE 19–COMMITMENTS AND CONTINGENCIES

Litigation

The Town's general counsel estimates that any potential claims against the Town, which are not covered by insurance, are immaterial and would not affect the financial position of the Town.

Federal Grants

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

NOTE 20—SUBSEQUENT EVENT

Bond Authorization

During September 2009, the Town Council authorized to increase the Route 28 Corridor TIF District bond authorization by an additional $500,000 for a total authorization of $5,400,000.

Required Supplementary Information

Ice Storm Takes Down Trees, Wires and Closes Roads

SCHEDULE 1
TOWN OF DERRY, NEW HAMPSHIRE
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended June 30, 2009

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Taxes	$ 22,735,697	$ 22,737,696	$ 23,172,684	$ 434,988
Licenses and permits	5,460,872	4,978,872	4,937,740	(41,132)
Intergovernmental	2,970,518	3,048,274	3,081,802	33,528
Charges for services	1,816,089	1,816,089	1,598,366	(217,723)
Interest and investment income	690,000	540,000	544,367	4,367
Miscellaneous	352,554	352,554	445,302	92,748
Total Revenues	34,025,730	33,473,485	33,780,261	306,776
Expenditures:				
Prevention and emergency services	10,179,394	9,866,894	9,836,896	29,998
Emergency management	75,711	65,711	63,055	2,656
Police and animal control	7,797,111	7,256,461	7,035,528	220,933
Executive	1,535,133	1,230,236	1,160,121	70,115
Finance	6,175,363	6,171,395	5,966,227	205,168
Town clerk and elections	151,791	151,791	150,915	876
Community development	267,460	290,060	258,781	31,279
Public works	9,025,625	9,725,040	9,457,570	267,470
Total Expenditures	35,207,588	34,757,588	33,929,093	828,495
Excess revenues over (under) expenditures	(1,181,858)	(1,284,103)	(148,832)	1,135,271
Other financing sources:				
Proceeds from sale of capital assets	42,500	42,500	47,335	4,835
Issuance of capital leases	185,718	185,718	149,188	(36,530)
Transfers in	687,449	787,449	530,533	(256,916)
Total other financing sources	915,667	1,015,667	727,056	(288,611)
Net change in fund balances	(266,191)	(268,436)	578,224	846,660
Fund balance at beginning of year - Budgetary Basis	13,327,976	13,327,976	13,327,976	-
Fund balance at end of year - Budgetary Basis	$ 13,061,785	$ 13,059,540	$ 13,906,200	$ 846,660

See accompanying notes to the required supplementary information

SCHEDULE 2
TOWN OF DERRY, NEW HAMPSHIRE
Required Supplementary Information
Modified Approach for Infrastructure
Capital Assets
For the Year Ended June 30, 2009

Fiscal Year of Assessment	Rating	Condition
2009	78	good
2006	77	good
2003	75	good

Comparison of Estimated to Actual Maintenance/Preservation

Year Ending June 30,	Estimated Costs	Actual Costs
2009	$ 1,396,210	$ 1,101,728
2008	1,315,150	1,312,074
2007	1,317,740	1,465,006
2006	1,628,066	1,537,588
2005	1,389,300	1,073,155

See accompanying notes to the required supplementary information

SCHEDULE 3
TOWN OF DERRY, NEW HAMPSHIRE
Required Supplementary Information
Schedule of Funding Progress for Other Post-Employment Benefits
For the Year Ended June 30, 2009

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) - Entry Age	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
6/30/2007	$ -	$ 12,270,643	$ 12,270,643	0.0%	$ 18,334,303	66.9%

See accompanying notes to the required supplementary information

TOWN OF DERRY, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2009

NOTE 1--BUDGET TO ACTUAL RECONCILIATION

General Fund

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund are reported on the basis budgeted by the Town. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Other revenue sources are also recognized on the budgetary basis as services are provided rather than when susceptible to accrual under the modified accrual basis. Budgetary expenditures were adjusted for encumbrances and on-behalf payments for fringe benefits.

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Per Exhibit D	$ 35,335,488	$ 34,667,967
Difference in property taxes and other revenues meeting susceptible to accrual criteria	(73,537)	
Encumbrances, June 30, 2008		(264,156)
Encumbrances, June 30, 2009		279,916
On-behalf fringe benefits	(754,634)	(754,634)
Per Schedule 1	$ 34,507,317	$ 33,929,093

NOTE 2--BUDGETARY FUND BALANCES

The components of the budgetary fund balance for the General Fund are as follows:

Reserved for prepaid items	$ 36,437
Reserved for tax increment financing	30,457
Unreserved:	
Designated for compensated absences	554,369
Designated for tax rate reduction	772,116
Undesignated	12,512,821
	$ 13,906,200

NOTE 3--MODIFIED APPROACH FOR INFRASTRUCTURE CAPITAL ASSETS

In accordance with GASB Statement No. 34, the Town is required to account for and report infrastructure capital assets. The Town's infrastructure consists of roads, bridges, sidewalks, and similar items. The Town has elected to use the "modified approach" for infrastructure reporting on its roadways and sidewalks. Under GASB Statement No. 34, eligible infrastructure capital assets are not required to be depreciated under the following requirements:

- The Town manages the eligible infrastructure capital assets using an asset management system with characteristics of (1) an up-to-date inventory; (2) perform condition assessments and summarize the results using a measurement scale; and (3) estimate annual amounts to maintain and preserve at the established condition assessment level.

- The Town documents that the eligible infrastructure capital assets are being preserved approximately at or above the established and disclosed assessment level.

Condition assessment ratings are being used to determine the level of annual funding required to maintain the value of the roadway systems. The Town uses an engineer developed Pavement Condition Index (PCI) to determine the conditions of its roadways. The analysis includes: inventory information to define the size and characteristics of each roadway; distress information to determine existence, severity and extent of physical problems; and drainage and roadway cross-section characteristics, particularly with respect to deficiencies.

The following conditions were defined and associated to a rating within the asset management system:

Condition	Rating	Remedial Action
Excellent	100-80	Crack Seal or Defer Action
Good	79-68	Chip Seal or Crack Seal
Fair	67-63	Shim and Overlay
Poor	62-58	Reclaim
Failed	57-0	Reconstruct and Reclaim

Each road is surveyed and graded on its condition and given a rating. This helps the Town prioritize which roads should be treated and the assessment of what type of treatment is necessary in the development of a long-range repair and maintenance plan.

The last three assessments effective in 2003, 2006, and 2009 reflected a consistently "Good" PCI rating of 75, 77, and 78, respectively.

In fiscal year 2003, the Town Council adopted the "good" conditional assessment PCI rating range of 68 to 80 for its roadway maintenance program goal and it also estimated expenditures of $1,300,000 per year are necessary to sustain the roadways rating level. During the year ended June 30, 2009, $1,396,210 was available via budget and encumbrances for roadway maintenance. As of June 30, 2009, $182,983 was encumbered to fund roadway maintenance projects in process.

The current PCI of 78 is in line with the Council's goal of preserving the network in the "good" range between 68 and 80. The currently defined system of roadway and sidewalk networks is not depreciated because the Town's conditional assessment rating falls within its adopted range. During the year ended June 30, 2009, $1,101,728 was expended on roadway maintenance.

The Town has expended an average of $1,262,979 annually on roadway maintenance for the past 10 years. Roadway site improvements paid directly by developers and increased utilization of Town staff for roadway engineering and some construction has enabled the Town to sustain or improve its overall PCI rating while managing expenditures efficiently.

NOTE 4—SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS

In accordance with GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, the Town is required to disclose the schedule of funding progress for each of the three most recent actuarial valuations. The Town implemented the provisions of GASB Statement #45 during the year ended June 30, 2009. Accordingly, the funding progress has only been presented for the most recent actuarial valuation report. Additional disclosures will be made as the information becomes available.

Supplemental Schedules

New Mega Tower
a Hit with Kids
@ Don Ball Park

SCHEDULE A
TOWN OF DERRY, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
June 30, 2009

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
ASSETS				
Cash and cash equivalents	$ 846			$ 846
Investments	5,370,760		$ 5,152,041	10,522,801
Accounts receivable, net	49,410			49,410
Due from other governments	36,762	$ 11,070		47,832
Due from other funds	1,323,749	1,769,402	150	3,093,301
Prepaid items	2,088	138,118		140,206
Total Assets	$ 6,783,615	$ 1,918,590	$ 5,152,191	$ 13,854,396
LIABILITIES				
Accounts payable	$ 37,368	$ 71,915		$ 109,283
Accrued expenditures	45,326	141		45,467
Deposits payable	40,587			40,587
Due to other funds	160,124		$ 330	160,454
Total Liabilities	283,405	72,056	330	355,791
FUND BALANCES				
Reserved for endowments			4,853,017	4,853,017
Reserved for encumbrances		329,583		329,583
Reserved for prepaid items	2,088	138,118		140,206
Unreserved, reported in:				
Special revenue funds	6,498,122			6,498,122
Capital projects funds		1,378,833		1,378,833
Permanent funds			298,844	298,844
Total Fund Balances	6,500,210	1,846,534	5,151,861	13,498,605
Total Liabilities and Fund Balances	$ 6,783,615	$ 1,918,590	$ 5,152,191	$ 13,854,396

SCHEDULE B
TOWN OF DERRY, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Funds
For the Year Ended June 30, 2009

	Special Revenue Funds	Capital Projects Funds	Permanent Funds	Total Other Governmental Funds
Revenues:				
Taxes	$ 6,500			$ 6,500
Licenses and permits	195,088			195,088
Intergovernmental	667,985	$ 11,070		679,055
Charges for services	3,028			3,028
Interest and investment income (loss)	98,505		$ (491,897)	(393,392)
Miscellaneous	49,416			49,416
Total Revenues	1,020,522	11,070	(491,897)	539,695
Expenditures:				
Current operations:				
General government	177,978		11,374	189,352
Public safety	652,373			652,373
Health and welfare	94,228			94,228
Culture and recreation	1,259,446			1,259,446
Conservation	9,468			9,468
Redevelopment and housing	2,093			2,093
Capital outlay	519,747	451,411		971,158
Debt service:				
Interest and fiscal charges	2,705			2,705
Intergovernmental	12,826			12,826
Total Expenditures	2,730,864	451,411	11,374	3,193,649
Excess revenues under expenditures	(1,710,342)	(440,341)	(503,271)	(2,653,954)
Other financing sources (uses):				
Issuance of capital leases	1,429			1,429
Transfers in	2,066,903	605,590	13,350	2,685,843
Transfers out	(420,476)		(123,528)	(544,004)
Total other financing sources (uses)	1,647,856	605,590	(110,178)	2,143,268
Net change in fund balances	(62,486)	165,249	(613,449)	(510,686)
Fund balances at beginning of year	6,562,696	1,681,285	5,765,310	14,009,291
Fund balances at end of year	$ 6,500,210	$ 1,846,534	$ 5,151,861	$ 13,498,605

TOWN OF DERRY, NEW HAMPSHIRE
SPECIAL REVENUE FUNDS
June 30, 2009

Special revenue funds are established to account for the proceeds of specific revenue sources (other than capital projects) that are legally restricted to expenditures for specific purposes.

1. **Derry Public Library Fund** – This fund is used to account for library revenues and expenditures incurred in the operation of Derry's main library located at 64 East Broadway.

2. **Taylor Library Fund** – This fund is used to account for library revenues and expenditures incurred in the operation of this public library located at 49 East Derry Road.

3. **Cable Television Fund** – The cable television fund has been established to account for the revenues from the cable television franchise fees and other related miscellaneous income and the related expenses.

4. **Conservation Commission Fund** – This fund is used to account for revenue and expenses associated with acquiring conservation land and forest management and includes 100% of Land Use Change Tax (current use) and NH Forest Management Grant revenues.

5. **Economic Development Revolving Loan Fund** – This fund is used to account for funds available to stimulate economic development in the Town of Derry.

6. **Emergency Management Flood Fund** – This fund is used to account for expenses associated with the May 2006 and April 2007 Floods and the 75% reimbursement from FEMA for eligible expenses.

7. **Emergency Management Ice Storm Fund** – This fund is used to account for expenses associated with the December 2008 Ice Storm and the 75% reimbursement from FEMA for eligible expenses.

8. **Central Court Land Acquisition Fund** – This fund is used to account for all costs necessary to acquire property located at 3 Central Court.

9. **Public Health Fund** – This fund is to account for the planning, testing and implementation of regional Public Health plans related to emergency preparedness as well as providing support for local health officers and school nurses. This fund is supported by federal funds passed through the New Hampshire Department of Health and Human Services and the National Association of County and City Health Officials (NACCHO).

10. **Public Safety Grants Fund** – This fund is used to account for grants and donations received and expensed for the purpose of public safety including for the enforcement of underage drinking laws, DWI saturation, seatbelt compliance, off road vehicle patrols and funding for domestic preparedness planning, training and equipment using federal pass-thru funds from Rockingham County for Justice Assistance and New Hampshire Department of Justice, New Hampshire Highway Safety and New Hampshire Fish and Game.

11. **Miscellaneous Grants Fund** – This fund is used to account for various donations or grants received and their related expenditures.

12. **Capital Reserve Funds** –

1. **Assessor Data Collection Reserve** has been established to fund town-wide reassessment programs.

2. **Derry Fire Vehicle Replacement Reserve** has been established to facilitate replacement of fire vehicles in accordance with a planned vehicle replacement program.

3. **Derry Public Library Improvements Reserve** has been established to provide resources for future capital expenditures of the Derry Public Library.

4. **E-Gov Reserve** has been established to provide resources for software and hardware purchases in accordance with the Information Technology Division of the Executive Department's capital improvement plan.

5. **Emergency Management Equipment Fund** has been established to provide resources for capital purchases in accordance with the Emergency Management Department's capital improvement plan.

6. **Fire Facility and Equipment Fund** has been established to provide resources for capital purchases in accordance with the Fire Department's capital improvement plan.

7. **The Town of Derry Compensated Absence Reserve** has been established to provide for future payments of earned time to all town employees excluding Fire, Water/Wastewater, and Library employees.

8. **Highway Winter Maintenance Reserve** has been established to provide resources for unanticipated costs that may occur during a harsh winter from unexpended winter maintenance cost experience during mild winters. This fund operates under the provisions of RSA 35:1 C.

9. **Land and Buildings Reserve** has been established to ease the financial burden of the taxpayers under the provisions of RSA 35:1 for the purpose of land and building acquisition.

10. **Park Facilities Reserve** has been established to fund capital improvements to Park land and buildings.

11. **Police Vehicle Reserve** has been established to facilitate replacement of police vehicles in accordance with the scheduled vehicle replacement program.

12. **Taylor Library Reserve** has been established to provide resources for future capital expenditures of the Taylor Library.

13. **Transportation Improvement Reserve** has been established to collect fees from motor vehicle registrations for the purpose of funding improvements to the Town's roadways.

14. **Waste Tire Reclamation Fund** – The Waste Tire Reclamation Trust was established pursuant to NH RSA 31:19A. The Trust was established to retain fees collected from motor vehicle registrations as authorized pursuant to NH RSA Chapter 263 (HB332). The purpose of the reserve is to fund the disposal of motor vehicle waste generated within the Town of Derry and to recycle and reclaim other types of solid waste.

SCHEDULE C
TOWN OF DERRY, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
June 30, 2009

	Derry Public Library Fund	Taylor Library Fund	Cable Television Fund	Conservation Commission Fund	Economic Development Revolving Loan Fund	Emergency Management Flood Fund	Public Health Fund	Public Safety Grants Fund	Miscellaneous Grants Fund	Capital Reserve Funds	Total Nonmajor Special Revenue Funds
ASSETS											
Cash and cash equivalents	$ 496	$ 350									$ 846
Investments										$ 5,370,760	5,370,760
Accounts receivable, net			$ 49,410								49,410
Due from other governments							$ 20,581	$ 16,181			36,762
Due from other funds	221,362	89,978	198,281	$ 505,032	$ 113,227	$ 22,736	7,676	93,759	$ 41,972	29,726	1,323,749
Prepaid items	2,063		25								2,088
Total Assets	$ 223,921	$ 90,328	$ 247,716	$ 505,032	$ 113,227	$ 22,736	$ 28,257	$ 109,940	$ 41,972	$ 5,400,486	$ 6,783,615
LIABILITIES											
Accounts payable	$ 13,678	$ 2,464	$ 9,506				$ 1,788	$ 9,932			$ 37,368
Accrued expenditures	37,790	2,070	2,693				2,773				45,326
Deposits payable		395				$ 16,496	23,696				40,587
Due to other funds		10,086								$ 150,038	160,124
Total Liabilities	51,468	15,015	12,199	$ -	$ -	16,496	28,257	9,932	$ -	150,038	283,405
FUND BALANCES											
Reserved for prepaid items	2,063		25								2,088
Unreserved, reported in:											
Special revenue funds	170,390	75,313	235,492	505,032	113,227	6,240		100,008	41,972	5,250,448	6,498,122
Total Fund Balances	172,453	75,313	235,517	505,032	113,227	6,240	-	100,008	41,972	5,250,448	6,500,210
Total Liabilities and Fund Balances	$ 223,921	$ 90,328	$ 247,716	$ 505,032	$ 113,227	$ 22,736	$ 28,257	$ 109,940	$ 41,972	$ 5,400,486	$ 6,783,615

SCHEDULE C-1
TOWN OF DERRY, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Capital Reserve Funds
June 30, 2009

	Assessor Data Collection Fund	Derry Fire Vehicle Replacement Fund	Derry Public Library Improvements Fund	E-Gov Fund	Emergency Management Equipment Fund	Fire Facility and Equipment Fund	Compensated Absences Fund	Highway Winter Maintenance Fund	Land and Buildings Fund
ASSETS									
Investments	$ 152,815	$ 249,889	$ 50,017	$ 106,852	$ 4,314	$ 467,443	$ 3,219,689	$ 103,842	$ 377,663
Due from other funds									
Total Assets	$ 152,815	$ 249,889	$ 50,017	$ 106,852	$ 4,314	$ 467,443	$ 3,219,689	$ 103,842	$ 377,663
LIABILITIES									
Due to other funds							$ 150,038		
Total Liabilities	$ -	$ -	$ -	$ -	$ -	$ -	150,038	$ -	$ -
FUND BALANCES									
Unreserved, reported in:									
Special revenue funds	152,815	249,889	50,017	106,852	4,314	467,443	3,069,651	103,842	377,663
Total Fund Balances	152,815	249,889	50,017	106,852	4,314	467,443	3,069,651	103,842	377,663
Total Liabilities and Fund Balances	$ 152,815	$ 249,889	$ 50,017	$ 106,852	$ 4,314	$ 467,443	$ 3,219,689	$ 103,842	$ 377,663

(Continued)

SCHEDULE C-1
TOWN OF DERRY, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Capital Reserve Funds
June 30, 2009
(Continued)

	Park Facilities Fund	Police Vehicle Replacement Fund	Taylor Library Fund	Transportation Improvement Fund	Waste Tire Reclamation Fund	Total Nonmajor Capital Reserve Funds
ASSETS						
Investments	$ 104,745	$ 704	$ 194,142	$ 16,755	$ 321,890	$ 5,370,760
Due from other funds			10,086	11,754	7,886	29,726
Total Assets	$ 104,745	$ 704	$ 204,228	$ 28,509	$ 329,776	$ 5,400,486
LIABILITIES						
Due to other funds						$ 150,038
Total Liabilities	$ -	$ -	$ -	$ -	$ -	150,038
FUND BALANCES						
Unreserved, reported in:						
Special revenue funds	104,745	704	204,228	28,509	329,776	5,250,448
Total Fund Balances	104,745	704	204,228	28,509	329,776	5,250,448
Total Liabilities and Fund Balances	$ 104,745	$ 704	$ 204,228	$ 28,509	$ 329,776	$ 5,400,486

SCHEDULE D
TOWN OF DERRY, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Special Revenue Funds
For the Year Ended June 30, 2009

	Derry Public Library Fund	Taylor Library Fund	Cable Television Fund	Conservation Commission Fund	Economic Development Revolving Loan Fund	Emergency Management Flood Fund	Emergency Management Ice Storm Fund	Central Court Fund	Public Health Fund	Public Safety Grants Fund	Miscellaneous Grants Fund	Capital Reserve Funds	Total Nonmajor Special Revenue Funds
Revenues:													
Taxes				$ 6,500									$ 6,500
Licenses and permits	$ 4,020	$ 35	$ 191,033										195,088
Intergovernmental		286				$ 2,330	$ 497,886		$ 110,779	$ 52,361	$ 4,343		667,985
Charges for services	2,400	57	571										3,028
Interest and investment income	2,416	1,238		10,233					43	1,207	64	$ 83,304	98,505
Miscellaneous	41,552	3,856	24	250							3,699	35	49,416
Total Revenues	50,388	5,472	191,628	16,983	$ -	2,330	497,886	$ -	110,822	53,568	8,106	83,339	1,020,522
Expenditures:													
Current operations:													
General government			175,728								2,250		177,978
Public safety							604,163			48,210			652,373
Health and welfare									94,228				94,228
Culture and recreation	1,102,445	152,827									4,174		1,259,446
Conservation				9,468									9,468
Redevelopment and housing											2,093		2,093
Capital outlay			11,713	255,802		2,330		225,000	16,468	8,434			519,747
Debt service:													
Interest and fiscal charges	2,398		307										2,705
Intergovernmental			12,783						43				12,826
Total Expenditures	1,104,843	152,827	200,531	265,270	-	2,330	604,163	225,000	110,739	56,644	8,517	-	2,730,864
Excess revenues over (under) expenditures	(1,054,455)	(147,355)	(8,903)	(248,287)	-	-	(106,277)	(225,000)	83	(3,076)	(411)	83,339	(1,710,342)
Other financing sources (uses):													
Issuance of capital leases			1,429										1,429
Transfers in	1,081,797	159,328		4,439			159,247	5,369		1,715		655,008	2,066,903
Transfers out	(1,170)	(10,086)	(129)	-			(52,970)		(83)			(356,038)	(420,476)
Total other financing sources (uses)	1,080,627	149,242	1,300	4,439	-	-	106,277	5,369	(83)	1,715	-	298,970	1,647,856
Net change in fund balances	26,172	1,887	(7,603)	(243,848)	-	-	-	(219,631)	-	(1,361)	(411)	382,309	(62,486)
Fund balances at beginning of year	146,281	73,426	243,120	748,880	113,227	6,240	-	219,631	-	101,369	42,383	4,868,139	6,562,696
Fund balances at end of year	$ 172,453	$ 75,313	$ 235,517	$ 505,032	$ 113,227	$ 6,240	$ -	$ -	$ -	$ 100,008	$ 41,972	$ 5,250,448	$ 6,500,210

SCHEDULE D-1
TOWN OF DERRY, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Capital Reserve Funds
For the Year Ended June 30, 2009

	Assessor Data Collection Fund	Derry Fire Vehicle Replacement Fund	Derry Public Library Improvements Fund	E-Gov Fund	Emergency Management Fund	Fire Facility and Equipment Fund	Compensated Absences Fund	Highway Winter Maintenance Fund	Land and Buildings Fund
Revenues:									
Interest and investment income	$ 2,305	$ 3,329	$ 802	$ 1,407	$ 69	$ 7,194	$ 50,585	$ 1,658	$ 6,033
Miscellaneous		35							
Total Revenues	2,305	3,364	802	1,407	69	7,194	50,585	1,658	6,033
Other financing sources (uses):									
Transfers in	20,000	95,000		26,818		30,000	124,135		
Transfers out							(150,038)		
Total other financing sources (uses)	20,000	95,000	-	26,818	-	30,000	(25,903)	-	-
Net change in fund balances	22,305	98,364	802	28,225	69	37,194	24,682	1,658	6,033
Fund balances at beginning of year	130,510	151,525	49,215	78,627	4,245	430,249	3,044,969	102,184	371,630
Fund balances at end of year	$ 152,815	$ 249,889	$ 50,017	$ 106,852	$ 4,314	$ 467,443	$ 3,069,651	$ 103,842	$ 377,663

(Continued)

SCHEDULE D-1
TOWN OF DERRY, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Capital Reserve Funds
For the Year Ended June 30, 2009
(Continued)

	Park Facilities Fund	Police Vehicle Replacement Fund	Taylor Library Fund	Transportation Improvement Fund	Waste Tire Reclamation Fund	Total Nonmajor Capital Reserve Funds
Revenues:						
Interest and investment income	$ 1,265	$ 11	$ 2,953	$ 996	$ 4,697	$ 83,304
Miscellaneous						35
Total Revenues	1,265	11	2,953	996	4,697	83,339
Other financing sources (uses):						
Transfers in	60,000		30,086	160,663	108,306	655,008
Transfers out				(170,000)	(36,000)	(356,038)
Total other financing sources (uses)	60,000	-	30,086	(9,337)	72,306	298,970
Net change in fund balances	61,265	11	33,039	(8,341)	77,003	382,309
Fund balances at beginning of year	43,480	693	171,189	36,850	252,773	4,868,139
Fund balances at end of year	$ 104,745	$ 704	$ 204,228	$ 28,509	$ 329,776	$ 5,250,448

SCHEDULE E

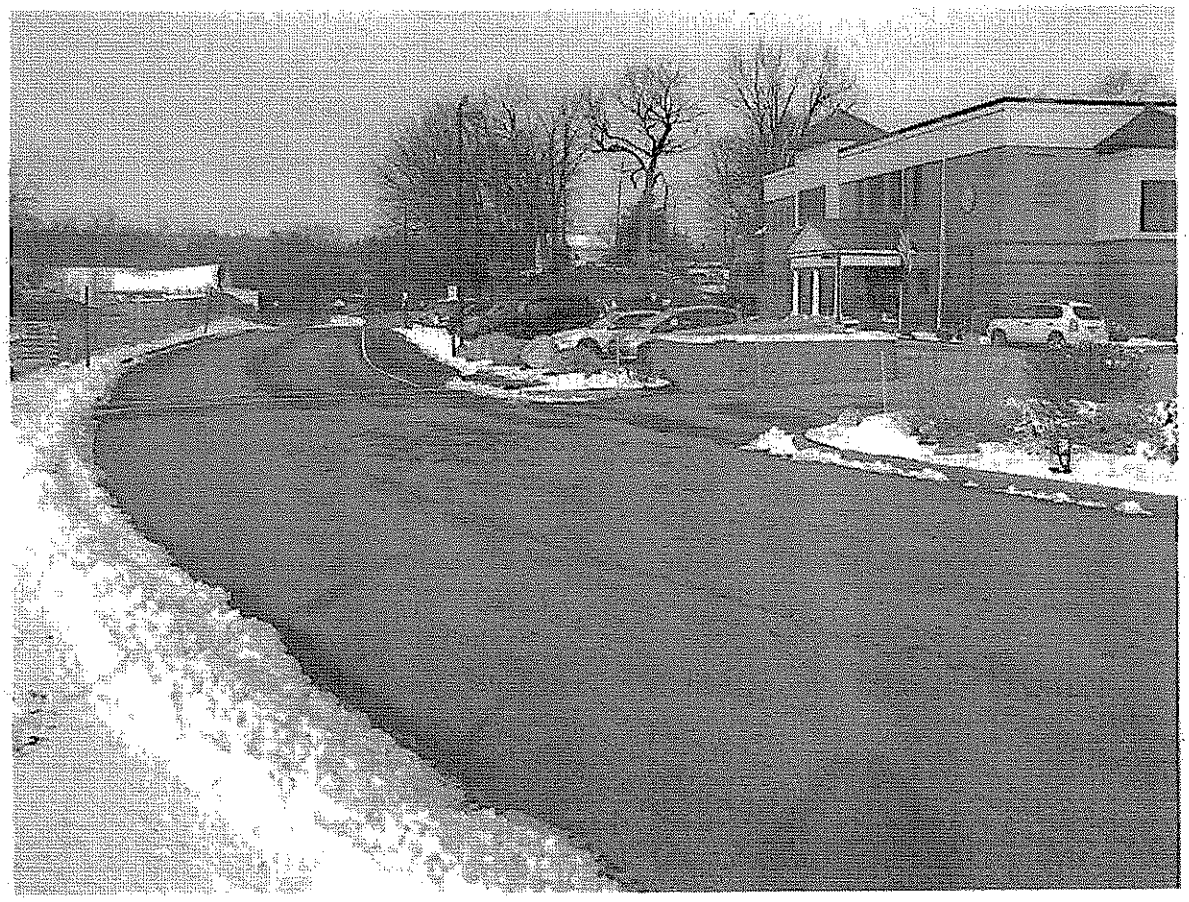
TOWN OF DERRY, NEW HAMPSHIRE

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual (Budgetary Basis) - Cable TV Fund

For the Year Ended June 30, 2009

	Budget Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Licenses and permits	$ 174,000	$ 174,000	$ 191,033	$ 17,033
Charges for services	500	500	571	71
Miscellaneous	25	25	24	(1)
Total Revenues	174,525	174,525	191,628	17,103
Expenditures:				
Current:				
General government	186,149	186,149	175,728	10,421
Capital outlay	13,000	13,000	11,713	1,287
Debt service:				
Interest and fiscal charges	400	400	307	93
Intergovernmental	12,910	12,910	12,783	127
Total Expenditures	212,459	212,459	200,531	11,928
Excess revenues over (under) expenditures	(37,934)	(37,934)	(8,903)	29,031
Other financing sources (uses):				
Issuance of capital leases			1,429	1,429
Transfers out	-	-	(129)	(129)
Total other financing sources (uses)	-	-	1,300	1,300
Net change in fund balance	(37,934)	(37,934)	(7,603)	30,331
Fund balance at beginning of year - Budgetary Basis	243,120	243,120	243,120	-
Fund balance at end of year - Budgetary Basis	$ 205,186	$ 205,186	$ 235,517	$ 30,331



Courthouse Lane Improves Downtown Traffic Flow

TOWN OF DERRY, NEW HAMPSHIRE
CAPITAL PROJECTS FUNDS
June 30, 2009

Capital projects funds are established to account for financial resources to be used for the acquisition or construction of major capital projects, other than those financed by proprietary or trust funds.

1. **Crystal/Broadway Reconstruction Fund** – This fund is used to account for the Town's share of the State of NH managed redesign of the Crystal Avenue and Broadway intersection.

2. **Bridge Improvements Fund** – This fund is used to account for the construction of new bridges on South Avenue, Fordway, and Florence Street. The State of New Hampshire funds 80% of the costs.

3. **Route 28 TIF Fund** – This fund is used to account for the engineering, construction and land acquisition costs associated with improving the Route 28 roadway within a TIF district formed in FY07 funded by a bond.

4. **Highway Garage Replacement Fund** – This fund is used to account for the engineering and construction costs associated with building a garage to house town vehicles and equipment.

5. **Recreation Facility Fund** – This fund is used to account for the engineering, construction and land acquisition costs associated with a new recreational facility for the community.

6. **Rail Trail Fund** – This fund is used to account for all costs associated with improving the Derry Rail Trail. The Town's appropriation becomes available once the Derry Rail Trail Association raises the remaining funds required to complete the project. The funds will laps on 6/30/2011 of not obligated or expended.

7. **Manning Street Extension Fund** – This fund is used to account for the engineering and construction costs associated with the extension of Manning Street, subsequently named Courthouse Lane.

8. **Network Infrastructure Fund** – This fund is used to account for consulting, design, purchasing and installation costs associated with computer network integration between the Town's municipal facilities.

SCHEDULE F
TOWN OF DERRY, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Capital Projects Funds
June 30, 2009

	Crystal/ Broadway Reconstruction Fund	Bridge Improvements Fund	Route 28 TIF Fund	Recreation Facility Fund	Rail Trail Fund	IT Network Infrastructure Fund	Total Nonmajor Capital Projects Funds
ASSETS							
Due from other governments	$ 11,070						$ 11,070
Due from other funds	85,726	$ 1,160,476	$ 15,000	$ 225,000	$ 229,141	$ 54,059	1,769,402
Prepaid items	138,118						138,118
Total Assets	$ 234,914	$ 1,160,476	$ 15,000	$ 225,000	$ 229,141	$ 54,059	$ 1,918,590
LIABILITIES							
Accounts payable	$ 111	$ 48,426	$ 15,000			$ 8,378	$ 71,915
Accrued expenditures	141						141
Total Liabilities	252	48,426	15,000	$ -	$ -	$ 8,378.00	72,056
FUND BALANCES							
Reserved for encumbrances		189,611			109,770	30,202	329,583
Reserved for prepaid items	138,118						138,118
Unreserved, reported in:							
Capital projects funds	96,544	922,439		225,000	119,371	15,479	1,378,833
Total Fund Balances	234,662	1,112,050	-	225,000	229,141	45,681	1,846,534
Total Liabilities and Fund Balances	$ 234,914	$ 1,160,476	$ 15,000	$ 225,000	$ 229,141	$ 54,059	$ 1,918,590

SCHEDULE G
TOWN OF DERRY, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Capital Projects Funds
For the Year Ended June 30, 2009

	Crystal/ Broadway Reconstruction Fund	Bridge Improvements Fund	Route 28 TIF Fund	Highway Garage Replacement Fund	Recreation Facility Fund	Rail Trail Fund	Manning Street Extension Fund	IT Network Infrastructure Fund	Total Nonmajor Capital Projects Funds
Revenues:									
Intergovernmental	$ 11,070								$ 11,070
Total Revenues	11,070	$ -	$ -	$ -	$ -	$ -	$ -	$ -	11,070
Expenditures:									
Capital outlay	73,461	209,844	54,590	14,885		112	78,200	20,319	451,411
Total Expenditures	73,461	209,844	54,590	14,885	-	112	78,200	20,319	451,411
Excess revenues over (under) expenditures	(62,391)	(209,844)	(54,590)	(14,885)	-	(112)	(78,200)	(20,319)	(440,341)
Other financing sources:									
Transfers in		505,000	54,590					46,000	605,590
Total other financing sources	-	505,000	54,590	-	-	-	-	46,000	605,590
Net change in fund balances	(62,391)	295,156	-	(14,885)	-	(112)	(78,200)	25,681	165,249
Fund balances at beginning of year	297,053	816,894	-	14,885	225,000	229,253	78,200	20,000	1,681,285
Fund balances at end of year	$ 234,662	$ 1,112,050	$ -	$ -	$ 225,000	$ 229,141	$ -	$ 45,681	$ 1,846,534

TOWN OF DERRY, NEW HAMPSHIRE
PERMANENT FUNDS
June 30, 2009

Permanent funds are used to account for assets held by the Town of Derry, New Hampshire in trust for specific purposes. These funds are grouped and categorized based on their intended use.

The Trustees of the Trust Funds of Derry oversee the permanent fund investments. The name and purpose of each trust fund is listed below:

Name	Designated Purpose
Perpetual Care	Perpetual Care at Cemetery
East Derry Cemetery	Cemetery expenses
MacGregor Pioneer Park	MacGregor Park upkeep
Taylor Library	Taylor Library general expenses
Sylvanus Brown	For the benefit of the poor of Derry with emphasis on clothing
Sarah MacMurphy	Derry Public Library books
Helen Hood	Derry Public Library books and musical recordings
Arts & Crafts	Derry Public Library art books
Charles Adams	Street Repair
Dr. William Carr & Harrison Alexander	Operations and Improvements to Alexander-Carr Park

SCHEDULE H
TOWN OF DERRY, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Permanent Funds
June 30, 2009

	General Cemetery Care	Parks and Playgrounds	Libraries	Highways and Streets	Human Services	Total Nonmajor Permanent Funds
ASSETS						
Investments	$ 2,060,415	$ 2,926,949	$ 77,195	$ 34,852	$ 52,630	$ 5,152,041
Due from other funds	150					150
Total Assets	$ 2,060,565	$ 2,926,949	$ 77,195	$ 34,852	$ 52,630	$ 5,152,191
LIABILITIES						
Due to other funds			$ 330			$ 330
Total Liabilities	$ -	$ -	330	$ -	$ -	330
FUND BALANCES						
Reserved for endowments	1,955,066	2,758,799	75,732	24,973	38,447	4,853,017
Unreserved, reported in:						
Permanent funds	105,499	168,150	1,133	9,879	14,183	298,844
Total Fund Balances	2,060,565	2,926,949	76,865	34,852	52,630	5,151,861
Total Liabilities and Fund Balances	$ 2,060,565	$ 2,926,949	$ 77,195	$ 34,852	$ 52,630	$ 5,152,191

SCHEDULE I
TOWN OF DERRY, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Permanent Funds
For the Year Ended June 30, 2009

	General Cemetery Care	Parks and Playgrounds	Libraries	Highways and Streets	Human Services	Total Nonmajor Permanent Funds
Revenues:						
Interest and investment income (loss)	$ (196,618)	$ (280,185)	$ (7,499)	$ (3,016)	$ (4,579)	$ (491,897)
Total Revenues	(196,618)	(280,185)	(7,499)	(3,016)	(4,579)	(491,897)
Expenditures:						
Current operations:						
General government	4,537	6,478	171	75	113	11,374
Total Expenditures	4,537	6,478	171	75	113	11,374
Excess revenues under expenditures	(201,155)	(286,663)	(7,670)	(3,091)	(4,692)	(503,271)
Other financing sources (uses):						
Transfers in	13,350					13,350
Transfers out	(55,000)	(66,525)	(2,003)			(123,528)
Total other financing sources (uses)	(41,650)	(66,525)	(2,003)	-	-	(110,178)
Net change in fund balances	(242,805)	(353,188)	(9,673)	(3,091)	(4,692)	(613,449)
Fund balances at beginning of year	2,303,370	3,280,137	86,538	37,943	57,322	5,765,310
Fund balances at end of year	$ 2,060,565	$ 2,926,949	$ 76,865	$ 34,852	$ 52,630	$ 5,151,861

Ice Storm Decimates Residential Areas

TOWN OF DERRY, NEW HAMPSHIRE
PRIVATE-PURPOSE TRUST FUNDS
June 30, 2009

Private-purpose trust funds are used to account for assets held by the Town of Derry, New Hampshire in trust for individuals, private organizations or other governmental units. These funds have been established for the provisions of the Derry public schools, Derry Visiting Nurse Association, Inc., East Derry improvements, and Memorial Day flowers.

Trust Name	Trust Purpose
Hopkins Home	Derry Visiting Nurses for the care and treatment of elderly women and men who are 55 or more and reside in the Towns of Derry, Windham or Londonderry
James D. Alexander	Support of the public schools in Derry
Edward T. Parker	East Derry Improvements
Harold V. Abbott	For educational entertainment, civic betterment, music, sports, and emergency needs in said Town's of Derry and Londonderry
Frank Adams	Scholarship
Helen Noyes	For flowers to be placed each Memorial Day upon her lot in Forest Hills Cemetery

SCHEDULE J
TOWN OF DERRY, NEW HAMPSHIRE
Combining Statement of Fiduciary Net Assets
Fiduciary Funds - All Private-Purpose Trust Funds
June 30, 2009

	Derry Public Schools	Derry Visiting Nurses	East Derry Improvements Society	Memorial Day Flowers	Total Private-Purpose Trust Funds
ASSETS					
Investments	$ 26,314	$ 284,101	$ 15,384	$ 1,667	$ 327,466
Total assets	26,314	284,101	15,384	1,667	327,466
LIABILITIES					
Due to other funds	-	-	-	28	28
Total liabilities	-	-	-	28	28
NET ASSETS					
Held in trust	26,314	284,101	15,384	1,639	327,438
Total net assets	$ 26,314	$ 284,101	$ 15,384	$ 1,639	$ 327,438

SCHEDULE K
TOWN OF DERRY, NEW HAMPSHIRE
Combining Statement of Changes in Fiduciary Net Assets
Fiduciary Funds - All Private-Purpose Trust Funds
For the Year Ended June 30, 2009

	Derry Public Schools	Derry Visiting Nurses	East Derry Improvements Society	Memorial Day Flowers	Total Private-Purpose Trust Funds
ADDITIONS:					
Investment earnings:					
Investment income (loss)	$ 616	$ (1,254)	$ 74	$ 7	$ (557)
Net decrease in the fair value of investments	(2,345)	(26,321)	(1,380)	(150)	(30,196)
Total Investment Earnings	(1,729)	(27,575)	(1,306)	(143)	(30,753)
Less investment expense	56	630	33	4	723
Net Investment Earnings	(1,785)	(28,205)	(1,339)	(147)	(31,476)
DEDUCTIONS:					
Benefits	300	7,580		28	7,908
Total Deductions	300	7,580	-	28	7,908
Change in Net Assets	(2,085)	(35,785)	(1,339)	(175)	(39,384)
Net assets - beginning of year	28,399	319,886	16,723	1,814	366,822
Net assets - end of year	$ 26,314	$ 284,101	$ 15,384	$ 1,639	$ 327,438

TOWN OF DERRY, NEW HAMPSHIRE
AGENCY FUNDS
June 30, 2009

Agency funds are used to account for assets held by the Town of Derry, New Hampshire purely as a custodian for individuals, private organizations or other governmental units as follows:

1. **Derry Cooperative School District Agency Funds** are funds held by the Town of Derry, New Hampshire's Trustees of Trust Funds on behalf of the Derry Cooperative School District, an independent governmental unit. New Hampshire state law requires that these funds be held by the Trustees of Trust Funds in the town that the school district operates.

2. **Performance Bond Agency Funds** are escrow funds held by the Town of Derry, New Hampshire to ensure that improvements affecting public infrastructure are completed in accordance with approved plans.

SCHEDULE L
TOWN OF DERRY, NEW HAMPSHIRE
Combining Statement of Fiduciary Net Assets
Fiduciary Funds - All Agency Funds
June 30, 2009

	Derry Cooperative School Agency Funds	Performance Bond Agency Funds	Total Agency Funds
ASSETS			
Cash and cash equivalents		$ 885,434	$ 885,434
Investments	$ 406,196		406,196
Total assets	$ 406,196	$ 885,434	$ 1,291,630
LIABILITIES			
Due to other governments	$ 406,196		$ 406,196
Deposits held for others		$ 885,434	885,434
Total liabilities	$ 406,196	$ 885,434	$ 1,291,630

SCHEDULE M

TOWN OF DERRY, NEW HAMPSHIRE

Combining Statement of Changes in Assets and Liabilities

Fiduciary Funds - All Agency Funds

For the Year Ended June 30, 2009

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009
ASSETS				
Derry Cooperative School Agency Funds	$ 183,564	$ 222,632		$ 406,196
Performance Bond Agency Funds	1,120,313	753,605	$ 988,484	885,434
Total assets	$ 1,303,877	$ 976,237	$ 988,484	$ 1,291,630
LIABILITIES				
Funds held for Derry Cooperative School	$ 183,564	$ 222,632		$ 406,196
Funds held for Performance Bonds	1,120,313	753,605	$ 988,484	885,434
Total liabilities	$ 1,303,877	$ 976,237	$ 988,484	$ 1,291,630

TOWN OF DERRY, NEW HAMPSHIRE
GENERAL CAPITAL ASSETS
June 30, 2009

General Capital Assets, which include property, plant, equipment and road, bridge and sidewalk infrastructure are those assets not specifically related to activities reported in the proprietary funds. These assets are reported in the governmental activities column of the government-wide statement of net assets. Capital assets used by proprietary funds are reported in both the business-type activities column of the government-wide statement of net assets and in the individual proprietary funds.

SCHEDULE N
TOWN OF DERRY, NEW HAMPSHIRE
Schedule of General Capital Assets By Function
June 30, 2009

	Land, Non-Depreciable Infrastructure and Construction in Progress	Buildings, Equipment and Vehicles	Depreciable Infrastructure	Total
General government	$ 1,972,112	$ 11,398,865	$ 694,026	$ 14,065,003
Public safety	631,052	9,492,878	144,870	10,268,800
Highways and streets	76,544,505	3,308,651	3,724,692	83,577,848
Health and welfare	41,359	95,296		136,655
Sanitation		1,002,044	125,090	1,127,134
Culture and recreation	834,590	3,897,631	3,410,633	8,142,854
Conservation	4,425,998			4,425,998
Total General Capital Assets	84,449,616	29,195,365	8,099,311	121,744,292
Less: Accumulated Depreciation		(10,945,442)	(2,372,579)	(13,318,021)
Net General Capital Assets	$ 84,449,616	$ 18,249,923	$ 5,726,732	$ 108,426,271

SCHEDULE O
TOWN OF DERRY, NEW HAMPSHIRE
Schedule of Changes in General Capital Assets By Function
June 30, 2009

	General Capital Assets 6/30/08	Additions	Deletions	General Capital Assets 6/30/09
General government	$ 13,635,711	$ 643,117	$ (213,825)	$ 14,065,003
Public safety	10,101,095	412,376	(244,671)	10,268,800
Highways and streets	82,178,968	1,836,941	(438,061)	83,577,848
Health and welfare	124,203	31,702	(19,250)	136,655
Sanitation	1,127,134			1,127,134
Culture and recreation	7,950,501	422,320	(229,967)	8,142,854
Conservation	4,170,196	255,802		4,425,998
Total General Capital Assets	119,287,808	3,602,258	(1,145,774)	121,744,292
Less: Accumulated Depreciation	(11,727,221)	(1,734,625)	143,825	(13,318,021)
Net General Capital Assets	$ 107,560,587	$ 1,867,633	$ (1,001,949)	$ 108,426,271

Statistical Section

Equipment Replacement Improves Efficiency

STATISTICAL SECTION

This part of the Town of Derry, New Hampshire's comprehensive annual financial report presents detailed information as a context for further understanding of what the information in the financial statements, note disclosures, and required supplementary information says about the government's overall financial health.

Contents **Page**

Financial Trends
These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time. 103-108

Revenue Capacity
These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax. 109-112

Debt Capacity
These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future. 113-116

Demographic and Economic Information
These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place. 117-118

Operating Information
These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the services the government provides and the activities it performs. 119-121

Sources: Each of the schedules comprising the Statistical Section show the source from which the information contained therein is derived and where expanded from prior years' reports the information comes from those relevant comprehensive annual financial reports.

SCHEDULE 1

TOWN OF DERRY, NEW HAMPSHIRE
NET ASSETS BY COMPONENTS
LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30									
	2000	2001	2002	2003	2004	2005	2006 *	2007	2008	2009
Government Activities										
Invested in capital assets, net of related debt	$2,683,083	$77,581,979	$87,603,942	$94,356,098	$91,175,678	$96,093,430	$95,250,347	$94,868,610	$97,250,699	$99,127,898
Restricted	33,497,136	38,193,602	38,815,986	43,645,255	45,701,286	9,549,212	9,574,653	10,793,656	11,778,966	10,977,181
Unrestricted	6,624,160	5,578,514	4,798,047	5,486,475	6,435,210	11,404,663	10,974,175	11,842,047	11,990,757	12,034,740
Total Governmental Activities Net Assets	$42,804,379	$121,354,095	$131,217,975	$143,487,828	$143,312,174	$117,047,305	$115,799,175	$117,504,313	$121,020,422	$122,139,819
Business-type Activities										
Invested in capital assets, net of related debt	($1,040,981)	$14,337,216	$14,882,195	$11,630,420	$13,098,363	$15,150,037	$17,763,369	$21,835,614	$22,742,827	$23,516,728
Restricted	961,573	807,593	1,178,122	855,585	5,837,523	0	0	0	0	0
Unrestricted	3,651,411	3,392,876	2,592,953	3,115,378	3,242,537	8,489,164	7,035,465	3,786,915	3,533,156	3,210,828
Total Business-type Activities Net Assets	$3,572,003	$18,537,685	$18,653,270	$15,601,383	$22,178,423	$23,639,201	$24,798,834	$25,622,529	$26,275,983	$26,727,556
Primary Government										
Invested in capital assets, net of related debt	$1,642,102	$91,919,195	$102,486,137	$105,986,518	$104,274,041	$111,243,467	$113,013,716	$116,704,224	$119,993,526	$122,644,626
Restricted	34,458,709	39,001,195	39,994,108	44,500,840	51,538,809	9,549,212	9,574,653	10,793,656	11,778,966	10,977,181
Unrestricted	10,275,571	8,971,390	7,391,000	8,601,853	9,677,747	19,893,827	18,009,640	15,628,962	15,523,913	15,245,568
Total Primary Government Net Assets	$46,376,382	$139,891,780	$149,871,245	$159,089,211	$165,490,597	$140,686,506	$140,598,009	$143,126,842	$147,296,405	$148,867,375

Note: The Town implemented the provision of Governmental Accounting Standards Board Statement No. 34 effective with the fiscal year ended June 30, 2000, however capital assets were not fully recorded until fiscal year 2001.

* FY 2006 Governmental Activities Restricted and Unrestricted Fund Balance have been reclassified to conform to the FY 2007 presentation.

SCHEDULE 2

TOWN OF DERRY, NEW HAMPSHIRE
CHANGE IN NET ASSETS, LAST TEN FISCAL YEARS
(accrual basis of accounting)

	Fiscal Year Ended June 30									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Expenses										
Governmental Activities										
General government	$4,320,841	$3,611,433	$3,755,691	$4,453,797	$6,351,809	$4,675,203	$4,698,161	$4,864,395	$4,922,872	$5,856,375
Public Safety	8,750,835	10,452,318	11,797,669	12,766,918	12,523,032	13,300,358	18,307,118	18,688,924	18,790,889	18,927,195
Highway & streets	3,143,624	3,355,098	3,299,274	379,026	3,933,288	3,105,552	4,184,803	3,985,181	4,181,494	4,059,063
Health & welfare	352,396	600,680	531,433	598,089	839,564	784,435	1,000,856	778,619	795,072	775,357
Sanitation	1,332,681	1,159,071	1,200,810	1,447,868	1,486,947	1,567,928	1,685,965	1,430,509	1,562,223	1,621,743
Culture & recreation	1,508,553	2,085,031	1,197,658	2,417,619	2,488,465	2,701,585	2,827,877	2,897,392	2,965,628	2,857,095
Conservation	839	10,727	9,189	2,477	1,350	20,259	20,727	17,264	29,113	13,089
Redevelopment & housing	50,000	63,316	65,000	55,000	65,000	65,000	65,000	65,000	55,016	57,093
Economic development	88,000	60,000	72,000	80,000	71,300	66,430	311,494	499,089	482,886	274,872
Capital outlay	2,351,074	0	1,308,857	0	0	0	0	0	0	0
Depreciation	428,619	0	0	0	0	0	0	0	0	0
Debt service	386,138	449,354	627,386	517,367	476,890	545,972	498,637	504,695	480,718	443,518
Intergovernmental	0	0	0	0	0	40,246	0	0	0	0
Total Governmental Activities Expenses	$22,713,600	$21,847,028	$23,864,967	$22,718,161	$28,237,645	$26,872,968	$33,600,638	$33,731,068	$34,265,911	$34,885,400
Business-type Activities										
Water	$1,487,875	$1,602,650	$1,590,005	$1,747,561	$1,758,219	$1,839,085	$2,009,790	$2,097,520	$2,088,784	$2,032,481
Sewer	1,593,127	1,789,271	1,652,598	1,429,859	1,687,975	1,799,338	1,876,727	1,837,379	1,927,217	1,935,968
Total Business-type Activities Expenses	$3,081,002	$3,391,921	$3,242,603	$3,177,420	$3,446,194	$3,638,423	$3,886,517	$3,934,899	$4,016,001	$3,968,449
Total Primary Government Expenses	$25,794,602	$25,238,949	$27,107,570	$25,895,581	$31,683,839	$30,511,391	$37,487,155	$37,665,967	$38,281,912	$38,853,849
Program Revenues										
Governmental Activities										
Charges for services:										
General government	$4,478,049	$5,332,602	$4,808,199	$4,991,846	$5,428,129	$52,696	$67,217	$85,991	$100,553	$46,770
Public safety	722,472	1,104,974	747,283	1,347,918	844,669	909,456	1,231,802	1,057,789	1,164,763	1,075,782
Highway & streets	132,698	43,708	0	45,398	26,577	16,834	76,647	48,404	62,045	29,679
Health & welfare	28,267	37,493	0	23,350	7,997	1,831	21,533	17,604	1,108	2,455
Sanitation	334,632	390,881	224,510	286,028	344,204	472,859	455,484	363,737	449,513	373,011
Culture & recreation	108,797	115,428	42,435	141,648	161,776	126,747	103,283	161,648	163,453	164,581
Conservation commission	72,856	54,934	42,005	101,943	140,300	0	0	0	0	0
Operating grants & contributions	948,753	469,861	693,500	940,661	971,153	1,799,080	2,111,103	2,065,068	2,072,594	2,523,130
Capital grants & contributions	911,241	908,419	705,643	45,329	0	1,631,388	734,573	516,750	1,069,575	926,437
Total Governmental Activities Program Revenues	$7,737,765	$8,458,300	$7,263,575	$7,924,121	$7,924,805	$5,010,891	$4,801,642	$4,316,991	$5,083,604	$5,141,845

CHANGE IN NET ASSETS, LAST TEN FISCAL YEARS (Continued)

	Fiscal Year Ended June 30									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2008
Business-type Activities										
Charges for services										
Water	$1,765,732	$1,680,725	$1,481,506	$1,429,203	$1,670,955	$1,674,138	$2,409,189	$2,211,514	$2,362,870	$2,286,130
Sewer	2,348,882	2,114,796	1,801,409	1,785,985	1,691,184	1,626,060	2,050,767	1,823,410	1,835,606	1,866,285
Operating grants & contributions	217,872	190,774	183,309	432,580	430,916	0	0	0	0	0
Capital grants & contributions	0	0	0	0	0	257,513	175,930	404,617	104,105	93,155
Total Business-type Activities Program Revenues	$4,332,486	$3,986,295	$3,466,224	$3,647,768	$3,793,055	$3,557,711	$4,635,886	$4,439,541	$4,302,581	$4,245,570
Total Primary Government Revenues	$12,070,251	$12,444,595	$10,729,799	$11,571,889	$11,717,860	$8,568,602	$9,437,528	$8,756,532	$9,386,185	$9,387,415
Net (Expense) Revenue										
Governmental activities	($14,975,835)	($13,388,728)	($16,601,392)	($14,794,040)	($20,312,840)	($21,862,077)	($28,798,996)	($29,414,077)	($29,182,307)	($29,743,555)
Business-type activities	1,251,484	594,374	223,621	470,348	346,861	(80,712)	749,369	504,642	286,580	277,121
Total Primary Government Net Expense	($13,724,351)	($12,794,354)	($16,377,771)	($14,323,692)	($19,965,979)	($21,942,789)	($28,049,627)	($28,909,435)	($28,895,727)	($29,466,434)
General Revenues & Other Changes in Net Assets										
Governmental Activities										
Property & other taxes	$9,363,538	$16,668,370	$22,401,000	$20,855,611	$22,696,627	$18,396,205	$20,982,682	$21,794,063	$22,828,221	$23,179,184
Licenses & permits						5,271,171	5,456,525	5,430,606	5,584,941	5,132,828
Grants & contributions not restricted to specific programs	1,223,503	2,214,999	1,912,352	1,791,022	1,977,812					
State shared revenues						434,466	434,466	458,803	458,804	458,804
Rooms & meals tax distribution						1,145,923	1,251,722	1,341,260	1,451,362	1,529,118
State & federal forest land reimbursement										4,439
Interest & investment earnings						1,051,406	1,747,030	2,559,466	1,468,474	150,975
Miscellaneous	2,027,837	1,599,247	1,977,133	870,262	1,776,278	1,175,759	652,178	752,406	382,952	399,645
Contributions to permanent fund principal	0	0	0	0	0	21,700	19,800	19,500	13,500	13,350
Special items-gain on sale of capital assets	0	0	0	0	0	0	373,577	0	534,655	0
Transfers	(433,891)	(212,782)	174,787	3,546,998	(6,109,558)	(1,303,751)	(24,148)	(24,810)	(24,493)	(5,391)
Total Governmental Activities	$12,180,987	$20,269,834	$26,465,272	$27,063,893	$20,341,159	$26,192,879	$30,893,832	$32,331,294	$32,698,416	$30,862,952
Business-type Activities										
Income & investment earnings	$0	$0	$0	$0	$0	$187,058	$307,192	$239,399	$126,801	$40,308
Miscellaneous	160,866	154,537	66,751	51,313	120,621	50,681	77,424	54,844	215,580	128,753
Special items-gain on sale of capital assets	0	0	0	0	0	0	1,500	0	0	0
Transfers	428,522	212,782	(174,787)	(3,546,998)	6,109,558	1,303,751	24,148	24,810	24,493	5,391
Total Business-type Activities	$589,388	$367,319	($108,036)	($3,495,685)	$6,230,179	$1,541,490	$410,264	$319,053	$366,874	$174,452
Total Primary Government	$12,770,375	$20,637,153	$26,357,236	$23,568,208	$26,571,338	$27,734,369	$31,304,096	$32,650,347	$33,065,290	$31,037,404
Change in Net Assets										
Governmental Activities	($2,794,848)	$6,881,106	$9,863,880	$12,269,853	$28,319	$4,330,802	$2,094,836	$2,917,217	$3,516,109	$1,119,397
Business-type Activities	$1,840,872	$961,693	$115,585	($3,025,337)	$6,577,040	$1,460,778	$1,159,633	$823,695	$653,454	$451,573
Total Primary Government	($953,976)	$7,842,799	$9,979,465	$9,244,516	$6,605,359	$5,791,580	$3,254,469	$3,740,912	$4,169,563	$1,570,970

Note: The Town began to report accrual information when it implemented the provision of Governmental Accounting Standards Board Statement No. 34 effective with the fiscal year ended June 30, 2000, however capital assets were not fully recorded until fiscal year 2001. For fiscal years 2000-2004 shown above, General Revenues & Other Changes in Net Assets are not broken down in as much detail as are fiscal years 2005-2009, or as will future years.

SCHEDULE 3

TOWN OF DERRY, NEW HAMPSHIRE
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006 *	2007	2008	2009
General Fund:										
Reserved	$2,286,987	$1,451,765	$1,946,269	$1,475,903	$1,124,603	$2,216,019	$673,990	$338,614	$322,826	$346,810
Unreserved	7,069,962	5,961,084	8,064,459	8,980,534	9,771,634	10,642,509	10,369,762	10,551,610	11,846,663	12,490,200
Total General Fund	$9,356,949	$7,412,849	$10,010,728	$10,456,437	$10,896,237	$12,858,528	$11,043,752	$10,890,224	$12,169,489	$12,837,010
All Other Governmental Funds:										
Reserved	$8,116,072	$10,030,444	$5,277,418	$5,333,788	$6,318,890	$5,240,551	$4,643,325	5,101,862	$5,973,394	$5,322,806
Unreserved, reported in:										
Special revenue funds	2,386,584	2,559,332	2,595,035	2,556,465	3,298,613	3,653,906	5,032,432	6,267,446	6,532,750	6,498,122
Capital project funds	33,205	1,767,260	2,130,816	4,762,050	3,779,049	1,519,159	1,726,865	1,514,997	1,213,880	1,378,833
Permanent funds	1,803,477	1,728,258	1,467,987	1,569,742	0	430,416	911,679	1,154,918	289,267	298,844
Total All Other Governmental Funds	$12,339,338	$16,085,294	$11,471,256	$14,222,045	$13,396,552	$10,844,032	$12,314,301	$14,039,223	$14,009,291	$13,498,605

Notes: The Town implemented the general provisions of Government Accounting Standards Board Statement No. 34 effective with the fiscal year-ended June 30, 2000.

* FY 2006 Governmental Activities Reserved and Unreserved Fund Balance have been reclassified to conform to the FY 2007 presentation.

SCHEDULE 4

TOWN OF DERRY, NEW HAMPSHIRE
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(modified accrual basis of accounting)

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Revenues:										
Taxes	$14,572,121	$14,819,406	$18,230,770	$18,345,524	$19,504,155	$18,556,414	$20,932,527	$21,498,501	$22,637,596	$23,208,798
Licenses & permits	4,274,882	5,154,153	4,808,199	4,958,321	5,109,114	5,271,171	5,456,525	5,430,606	5,584,941	5,132,828
Intergovernmental	3,083,497	3,593,279	3,311,495	2,777,012	2,929,885	3,525,787	4,418,285	3,876,582	4,352,278	4,523,157
Charges for services	1,257,988	1,925,868	1,434,570	1,639,250	1,524,180	1,603,736	1,893,122	1,659,790	1,830,467	1,632,130
Interest & investment income	0	0	0	0	0	1,051,406	1,747,030	2,559,466	1,468,474	150,975
Miscellaneous	2,372,738	1,599,247	1,598,569	1,210,822	1,975,416	1,508,103	1,861,531	1,326,191	593,386	500,239
Total Revenues	$25,561,226	$27,091,953	$29,383,603	$28,930,929	$31,042,750	$31,516,617	$36,309,020	$36,351,136	$36,467,142	$35,148,127
Expenditures:										
Current operations-										
General government	$4,320,841	$3,564,177	$3,670,840	$4,053,044	$5,790,360	$3,880,750	$4,237,011	$4,518,629	$4,480,579	$4,644,991
Public safety	8,750,835	10,386,621	11,885,888	12,521,663	12,245,280	13,915,103	17,363,724	17,969,416	17,810,998	18,142,797
Highways & streets	3,143,624	2,894,746	3,401,516	3,044,891	3,178,763	3,010,545	3,957,932	3,849,479	4,139,025	3,773,442
Health & welfare	352,396	438,737	527,379	594,035	837,234	774,804	1,005,108	762,059	812,303	771,933
Sanitation	1,332,681	1,159,071	1,329,057	1,375,185	1,449,345	1,460,844	1,637,541	1,595,580	1,507,164	1,576,541
Culture & recreation	1,508,553	1,994,160	2,504,897	2,170,242	2,423,084	2,335,255	2,552,929	2,577,082	2,664,121	2,644,736
Conservation	839	10,727	9,189	2,477	1,350	20,259	21,001	17,264	29,112	13,089
Redevelopment & housing	50,000	63,316	65,000	55,000	65,000	65,000	65,000	65,000	55,016	57,093
Economic Development	88,000	60,000	72,000	80,000	71,300	66,430	361,494	272,647	230,800	220,282
Capital outlay	3,610,398	6,553,560	6,738,989	4,037,589	1,295,877	3,705,771	4,980,552	1,678,387	3,425,537	1,631,514
Debt service-										
Principal retirement	773,468	1,421,035	939,751	1,279,936	1,139,342	935,000	870,000	860,000	855,000	920,000
Interest & fiscal charges	386,138	449,354	627,386	517,367	470,453	846,710	881,908	955,020	881,480	767,109
Intergovernmental	0	0	0	0	0	40,246	112,183	58,172	38,929	12,826
Total Expenditures	$24,317,773	$28,995,504	$31,771,892	$29,731,429	$28,967,388	$31,056,717	$38,046,383	$35,178,735	$36,930,064	$35,176,353
Excess revenues over (under) expenditures	$1,243,453	($1,903,551)	($2,388,289)	($800,500)	$2,075,362	$459,900	($1,737,363)	$1,172,401	($462,922)	($28,226)

CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS (Continued)
LAST TEN FISCAL YEARS

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Other financing sources (uses):										
Proceeds from sale of capital assets									$550,000	$47,335
Issuance of long-term bonds	$1,890,000	$3,489,605	$0	$0	$3,500,000	$0	$1,000,000	$100,000	647,116	0
Issuance of capital leases	240,639	428,584	197,343	450,000	148,503	473,539	438,380	323,803	547,134	150,617
Transfers in	4,289,121	7,628,657	4,280,104	8,498,265	7,412,929	2,974,518	4,877,188	5,252,138	4,126,327	3,216,376
Transfers out	(4,723,012)	(7,841,439)	(4,105,317)	(4,951,267)	(13,522,487)	(4,278,269)	(4,901,336)	(5,276,948)	(4,150,820)	(3,221,767)
Premium paid on asset exchange	0	0	0	0	0	0	(21,376)	0	(7,502)	(7,500)
Total other financing sources (uses)	$1,696,748	$3,705,407	$372,130	$3,996,998	($2,461,055)	($830,212)	$1,392,856	$398,993	$1,712,255	$185,061
Net change in fund balances	$2,940,201	$1,801,856	($2,016,159)	$3,196,498	($385,693)	($370,312)	($344,507)	$1,571,394	$1,249,333	$156,835
Debt service as a percentage of non-capital expenditures	5.6%	8.3%	6.3%	7.0%	5.8%	6.5%	5.3%	5.4%	5.2%	5.0%

Notes: The Town implemented the general provisions of Government Accounting Standards Board Statement No. 34 effective with the fiscal year-ended June 30, 2000. For fiscal years ended June 30, 2000 through 2004, interest & investment income was reported as miscellaneous revenue.

SCHEDULE 5

TOWN OF DERRY, NEW HAMPSHIRE
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Residential Property	Commercial Property (1)	Industrial Property (1)	Less: Tax-Exempt Property	Total Taxable Assessed Value (2)	Total Tax Rate	Estimated Actual Taxable Value	Total Assessed Value as a % of Estimated Actual Taxable Value
2000	862,078,739	241,608,090	0	13,540,495	$1,090,146,334	32.64	1,377,766,979	79.124%
2001	881,880,562	247,055,580	0	12,465,900	$1,116,470,242	35.58	1,660,707,301	67.229%
2002	1,440,599,243	319,199,400	0	12,778,170	$1,747,020,473	27.34	1,922,968,824	90.850%
2003	1,306,592,918	481,743,475	0	17,671,550	$1,770,664,843	29.18	2,300,549,847	76.967%
2004	1,346,912,118	461,190,325	0	17,268,500	$1,790,833,943	32.17	2,665,169,654	67.194%
2005	1,891,864,100	391,236,800	0	16,796,375	$2,266,304,525	25.19	2,806,879,197	80.741%
2006	1,916,485,900	393,363,300	0	18,412,875	$2,291,436,325	27.03	3,117,340,578	73.506%
2007	2,478,166,614	433,996,506	64,134,100	20,075,232	$2,956,221,988	22.16	3,082,608,955	95.900%
2008	2,522,675,292	419,301,173	62,022,100	19,345,933	$2,984,652,632	22.05	3,020,860,172	98.801%
2009	2,217,289,640	406,647,328	67,086,800	26,439,044	$2,664,584,724	25.53	2,787,222,515	95.600%

Notes:
(1) Unable to breakout Commercial and Industrial assessed value for Fiscal Years 1997-2006. The total for Commercial and Industrial is shown under Commercial for those years. Beginning in FY 2007, the Town shows Commercial and Industrial separately.
(2) Since 2003, the NH Department of Revenue Administration requires that all properties be reviewed at least every five years to insure that assessed property values are within a range of 90-110% of actual market value. The Town completed a revaluation in 2006 for FY07. The Town plans to try to maintain values as close to 100% through an annual process of cycled inspections and a valuation update every other year, with the most recent full valuation update being done in 2009 for FY10. A partial valuation update was done in 2008 for FY09.

Schedule 6

TOWN OF DERRY, NEW HAMPSHIRE
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS
(rate per $1,000 of assessed value)

	Town Direct Rates			Total Overlapping Rates				
Fiscal Year	Town Services (1)	Fire District (2)	Total Direct Rate	Derry Cooperative School District	State Education Tax	Rockingham County	Total Overlapping Rates	Total Tax Rate (3)
2000	$9.38	$3.75	$13.13	$10.82	$7.51	$1.18	$19.51	$32.64
2001	$9.47	$4.01	$13.48	$13.35	$7.33	$1.42	$22.10	$35.58
2002	$7.36	$3.37	$10.73	$9.96	$5.35	$1.30	$16.61	$27.34
2003	$7.32	$3.23	$10.55	$11.81	$5.50	$1.32	$18.63	$29.18
2004	$7.44	$3.42	$10.86	$14.54	$5.38	$1.39	$21.31	$32.17
2005	$5.93	$2.65	$8.58	$12.02	$3.41	$1.18	$16.61	$25.19
2006	$9.31	$0.00	$9.31	$13.23	$3.37	$1.12	$17.72	$27.03
2007	$7.50	$0.00	$7.50	$11.32	$2.41	$0.93	$14.66	$22.16
2008	$7.64	$0.00	$7.64	$11.08	$2.44	$0.89	$14.41	$22.05
2009	$8.81	$0.00	$8.81	$13.19	$2.54	$0.99	$16.72	$25.53

Source: NH Department of Revenue Administration approved tax rates

Notes:
(1) The Town Services portion of the tax rate is subject to a "tax cap" provision tied to the increase in the National Consumer Price Index (CPI-U) as published by the US Department of Labor, excluding any valuation change as a result of a revaluation of property.
(2) In Fiscal Year 2006, the Fire District was rolled into the Town Services portion of the tax rate following the consolidation of the Derry Fire Department and the former East Derry Fire Precinct.
(3) The Total Tax Rate is billed to all taxable property owners, with the one exception being that Utilities do not pay the "State Education Tax" portion of the Total Tax Rate.

SCHEDULE 7

TOWN OF DERRY, NEW HAMPSHIRE
PRINCIPAL PROPERTY TAXPAYERS

		FY 2009			FY 2000		
Taxpayer	Type of Business	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation	Assessed Valuation	Rank	Percentage of Total Taxable Assessed Valuation
Fairfield Fairways Limited. Partnership (Fairways)	Real Estate - Apartments.	$55,327,060	1	2.23%	$30,250,200	1	2.74%
Campbell, Gilbert G., Trustee (Aladdin Village & Derry County Club Estates)	Real Estate - Apartments	39,487,500	2	1.59%	18,530,400	2	1.68%
HCA Health Services of NH, Inc. (Parkland Medical Center)	Healthcare - Hospital	20,304,200	3	0.82%	15,425,500	3	1.40%
Mariner Derry Meadows LLC	Commercial - Retail	19,137,300	4	0.77%			0.00%
WP Hood Associates, LLC (Hood Plaza)	Commercial - Retail	15,169,800	5	0.61%	11,694,900	5	1.06%
Public Service Company of NH (PSNH)	Utility - Electric	14,227,100	6	0.57%	12,239,000	4	1.11%
EKMK Associates Ltd. Partnership	Real Estate - Apartments	10,405,000	7	0.42%			
Derry Retirement Residence, LLC	Commercial - Elderly Assisted Living	9,896,100	8	0.40%			
Two Tsienneto Road Realty LLC	Medical Office Building	9,482,100	9	0.38%			
Wal-Mart Realty Co (Wal-Mart Store)	Commercial - Retail w/Fueling Station	9,187,400	10	0.37%	5,081,300	7	0.46%
Franklin Derry Limited Partnership (Franklin Village Apartments)	Real Estate - Apartments				4,657,500	8	0.42%
Sanmina Corp. (Sanmina/Hadco)	Industrial Manufacturing				6,511,700	6	0.59%
The Birches Development, Inc.	Commercial-Professional Offices				4,010,300	9	0.36%
CAM-Derry, LLC	Healthcare - Nursing Home				2,602,400	10	0.24%
Totals		$202,623,560		8.17%	$111,003,200		10.06%
Total Taxable Assessed Valuation is:		$2,481,007,745			$1,103,483,879		

Source: Town of Derry, NH Assessing Records
Information based on valuation as of April 1 of each fiscal year

SCHEDULE 8

TOWN OF DERRY, NEW HAMPSHIRE
PROPERTY TAX LEVIES AND COLLECTIONS *
LAST TEN FISCAL YEARS

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Abatement of Original Tax Levy	Total Collections to Date	
		Tax Amount	Percentage of Levy			Amount	Percentage of Levy
2000	13,854,443	12,538,861	90.50%	$1,277,486	$38,096	$13,854,443	100.00%
2001	14,467,565	12,770,961	88.27%	$1,645,151	$51,453	$14,467,565	100.00%
2002	18,282,780	14,878,974	81.38%	$3,292,502	$110,608	$18,282,084	100.00%
2003	18,368,212	16,704,538	90.94%	$1,609,541	$51,611	$18,365,690	99.99%
2004	19,082,745	17,177,389	90.02%	$1,624,247	$278,513	$19,080,149	99.99%
2005	20,219,964	18,634,503	92.16%	$1,329,725	$243,796	$20,208,025	99.94%
2006	21,717,219	20,737,653	95.49%	$548,691	$409,534	$21,695,878	99.90%
2007 **	21,878,651	21,271,716	97.23%	$409,065	$125,854	$21,806,636	99.67%
2008	22,529,149	21,908,661	97.25%	$278,415	$117,011	$22,304,087	99.00%
2009	23,243,055	22,660,097	97.49%	$0	$80,520	$22,740,617	97.84%

Source: Town of Derry Tax Collector's NH Department of Revenue Administration Form MS-61

* The numbers presented above represent only tax information for taxes collected for Town Services. They do include taxes collected for the individual Fire Districts that were consolidated and discontinued beginning 7/1/05.
The numbers presented above do not include taxes collected for the School District and the County, even though the Town bears the full burden for any uncollected taxes, having fully paid them to these two entities.

** Taxes levied for the Fiscal Years and thereafter include additional lien levy

SCHEDULE 9

TOWN OF DERRY, NEW HAMPSHIRE
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

	Governmental Activities					Business Type Activities						Total Primary Government Debt	
Fiscal Year	General Obligation Bonds	Bond Anticipation Note	Capital Leases	Land Easement Note	Tax Increment Financing Bonds	Water Bonds	Water Capital Leases	Water Notes	Wastewater Bonds	Wastewater Capital Leases	Total Primary Government	As a % of Personal Income	Per Capita
2000	7,530,000	0	269,556	0	0	2,997,400	0	49,111	6,465,742	0	$17,311,809	0.18%	$533
2001	10,264,605	0	449,137	203,485	0	2,726,400	0	47,372	5,891,210	0	$19,582,209	0.17%	$576
2002	9,680,000	0	376,993	121,875	0	2,455,400	0	30,000	5,312,131	0	$17,976,399	0.19%	$522
2003	8,815,000	0	457,428	40,625	0	2,184,400	0	25,000	8,428,299	0	$19,950,752	N/A	$576
2004	9,450,000	0	408,100	0	2,000,000	1,913,400	0	20,000	7,654,497	0	$21,445,997	N/A	$618
2005	8,515,000	0	596,529	0	2,000,000	1,638,740	0	15,000	6,884,158	0	$19,649,427	N/A	$566
2006	8,645,000	0	669,308	0	2,000,000	1,372,740	3,244	10,000	7,099,727	3,244	$19,803,263	N/A	$571
2007	7,785,000	100,000	554,768	0	2,000,000	1,106,740	2,568	5,000	6,334,615	2,568	$17,891,259	N/A	$520
2008	6,930,000	747,116	712,773	0	2,000,000	844,940	1,964	0	5,569,362	1,964	$16,808,119	N/A	$491
2009	6,090,000	747,116	541,256	0	1,920,000	613,140	1,336	0	4,867,899	1,336	$14,782,083	N/A	$434

Notes:
Details regarding the Town's outstanding debt can be found in the notes to the financial statements.
See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year, when available.

SCHEDULE 10

TOWN OF DERRY, NEW HAMPSHIRE
RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS

	General Bonded Debt Outstanding				
Fiscal Year	General Obligation Bonds	Tax Increment Financing Bonds	Total	% of Actual Taxable Value of Property	Per Capita
2000	7,530,000	0	$7,530,000	0.69%	$232
2001	10,264,605	0	$10,264,605	0.92%	$302
2002	9,680,000	0	$9,680,000	0.55%	$281
2003	8,815,000	0	$8,815,000	0.50%	$255
2004	9,450,000	2,000,000	$11,450,000	0.64%	$330
2005	8,515,000	2,000,000	$10,515,000	0.46%	$303
2006	8,645,000	2,000,000	$10,645,000	0.46%	$307
2007	7,785,000	2,000,000	$9,785,000	0.33%	$285
2008	6,930,000	2,000,000	$8,930,000	0.30%	$261
2009	6,090,000	1,920,000	$8,010,000	0.30%	$235

Notes:
Details regarding the Town's outstanding debt can be found in the notes to the financial statements.
See Schedule 5 for property value data.
See Schedule 13 for population data. These ratios are calculated using estimated population for the prior calendar year.

SCHEDULE 11

TOWN OF DERRY, NEW HAMPSHIRE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2009

Governmental Unit	Debt Outstanding	Percentage Applicable	Share of Direct & Overlapping Debt
Direct:			
Town of Derry	$14,238,155	100.00%	$14,238,155
Overlapping:			
Rockingham County	2,325,000	6.2480%	145,266
Derry Cooperative School District	23,070,000	100.00%	23,070,000
Sub Total - Overlapping Debt			23,215,266
Total Direct and Overlapping Debt			$37,453,421

Sources: Debt outstanding data is provided by each governmental unit and the percentage applicable to the Town of Derry for Rockingham County is provided by the County based on 2009 town allocation.

Notes: Overlapping governments are those that coincide, at least in part with the geographic boundaries of a municipality. This schedule sets forth the Town of Derry's share of those overlapping governments that are born by its taxpayers through a portion of the approved tax rate. Since the Derry Cooperative School District is strictly confined to the Town of Derry, 100% of its outstanding debt is overlapping and applicable to the governmental unit.

SCHEDULE 12

TOWN OF DERRY, NEW HAMPSHIRE
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

Legal Debt Margin Calculation for Fiscal Year 2009	
Equalized assessed valuation	$2,826,127,466
General Fund debit limit (3% of equalized Valuation)	84,783,824
Water Fund debit limit (10% of equalized Valuation)	282,612,747

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
General Fund										
Debt Limit	$42,494,546	$49,801,464	$58,111,018	$69,705,292	$81,255,082	$85,564,379	$98,038,070	$94,842,992	$90,625,085	$84,783,824
Total debt applicable to limit	12,196,500	15,219,590	14,431,500	13,315,000	14,035,000	13,185,000	13,400,000	13,225,000	12,450,000	10,445,263
Legal debt margin	$30,298,046	$34,581,874	$43,679,518	$56,390,292	$67,220,082	$72,379,379	$84,638,070	$81,617,992	$78,175,085	$74,338,561
Total debt applicable to limit as a percentage of debt limit	28.70%	30.56%	24.83%	19.10%	17.27%	15.41%	13.67%	13.94%	13.74%	12.32%
Water Fund										
Debt Limit	$141,648,488	$166,004,880	$193,703,393	$232,350,974	$270,850,273	$285,214,598	$326,793,568	$316,143,307	$302,086,017	$282,612,747
Total debt applicable to limit	5,588,740	5,317,740	5,046,740	2,175,740	1,904,740	1,638,740	1,372,740	1,106,740	844,940	613,140
Legal debt margin	$136,059,748	$160,687,140	$188,656,653	$230,175,234	$268,945,533	$283,575,858	$325,420,828	$315,036,567	$301,241,077	$281,999,607
Total net debt applicable to limit as a percentage of debt limit	3.95%	3.20%	2.61%	0.94%	0.70%	0.57%	0.42%	0.35%	0.28%	0.22%

Notes:
Per New Hampshire Revised Statutes Annotated, the Town's general obligation debt and water district debt should not exceed 3% (RSA 33:4-a.III) and 10% (RSA 33:5-a), respectively, of equalized valuation as set forth in RSA 33:4-b and as determined by the NH Department of Revenue Administration.
There is no state debt margin for wastewater outstanding debt, because all wastewater bonds are guaranteed by the State of New Hampshire.
There is no state debt margin for Landfill Site Closure outstanding debt.
Per new Hampshire Revised Statutes annotated (RSA 162-K:8), Tax Increment Financing (TIF) District bonds shall not be included when computing the municipality's net debt.

SCHEDULE 13

TOWN OF DERRY, NEW HAMPSHIRE
DEMOGRAPHIC & ECONOMIC STATISTICS
LAST TEN FISCAL YEARS

Fiscal Years Ended June 30,	Population	Personal Income	Per Capita Personal Income	School Enrollment	Unemployment Rate
2000	32,451	$1,016,527,575	$31,325	6,699	4.3%
2001	34,021	1,133,987,972	33,332	6,655	5.2%
2002	34,436	1,190,280,340	34,565	7,031	6.2%
2003	34,613	N/A	N/A	6,994	6.5%
2004	34,678	N/A	N/A	6,765	5.4%
2005	34,710	N/A	N/A	6,593	4.5%
2006	34,655	N/A	N/A	6,339	3.9%
2007	34,386	N/A	N/A	6,391	4.5%
2008	34,200	N/A	N/A	6,266	4.4%
2009	34,071	N/A	N/A	6,251	7.7%

Source: Population and personal income information is provided by the New Hampshire Office of Energy & Planning. School enrollment information is provided by the Derry Cooperative School District. Unemployment information is derived from the Local Area Unemployment Statistics Report prepared by the NH Employment Security, Economic And Labor Market Information Bureau.

Notes:
Population and personal income are based on information from the prior calendar year. School population is based on the 2006-2007 school year, while the unemployment rate is the unemployment rate for the last month of the fiscal year.

Updated Per Capita Personal Income for the Town has not been available since FY 2002 from the New Hampshire Office of Energy & Planning, therefore Personal Income in total for the Town has not been available in recent years. This information is derived from the census data done every 10 years. Following the next census in 2010, this information will be available every 5 years.

SCHEDULE 14

TOWN OF DERRY, NEW HAMPSHIRE
PRINCIPAL EMPLOYERS
CURRENT YEAR AND NINE YEARS AGO

		Fiscal Year 2009 (1)			Fiscal Year 2000 (2)		
Employer	Type of Business	Employees	Rank	% of Total Town Employment	Employees	Rank	% of Total Town Employment
Derry Cooperative School District	Education	670	1	3.47%	510	1	2.71%
HCA Health Services of NH	Healthcare/Hospital	589	2	3.05%	416	3	2.21%
Pinkerton Academy	Education	474	3	2.45%			
Wal-Mart Store	Retail chain	200	4	1.04%			
Shaw's Supermarket	Supermarket	150	5	0.78%	280	4	1.49%
Hannaford Supermarket	Supermarket	147	6	0.76%			
Cedar Point Communications	Voice-Multimedia switch networks	140	7	0.72%			
Fireye	Fire Equipment	125	8	0.65%			
Merrimack Valley Wood Products	Door, window units	50	9	0.26%			
Sanmina/Hadco	Electronics	30	10	0.16%	540	2	2.87%
Vermillion	Color separations				80	7	0.43%
Dynaco	Electronics				120	5	0.64%
Treasure Master Corp.	Novelty Manufacturing				103	6	0.55%

Source: NH Department of Employment Security, Economic & Labor Market Information Bureau's *Community Profiles*.
Information for Fiscal Year 1999 came from the Town's Public Offering Statement for the sale of bonds in 1999 and from the Derry Cooperative School District.

Note:
(1) Fiscal Year 2009 information is from the 2008 calendar year profile.
(2) Fiscal Year 2000 information is from the Town's Public Offering Statement for the sale of bonds in 1999 and from the Derry Cooperative School District, and is the closest information to 2000 available. Information on only the top 7 employers is available.

SCHEDULE 15

TOWN OF DERRY, NEW HAMPSHIRE
FULL TIME TOWN EMPLOYEES BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year Ended June 30,									
Function/Program	**2000**	**2001**	**2002**	**2003**	**2004**	**2005**	**2006**	**2007**	**2008**	**2009**
Governmental Activities										
General government	24	25	26	25	24	24	26	27	27	27
Public Safety	129	136	140	143	141	149	165	162	162	162
Highway & streets	30	29	31	31	30	28	28	28	28	28
Health & welfare	1	1	1	1	1	2	3	3	3	3
Sanitation	4	5	5	5	5	6	6	6	6	6
Culture & recreation	8	8	8	8	8	8	8	8	8	8
Economic Development	2	2	2	2	2	2	2	2	3	3
Business-Type Activities										
Water	6	6	6	6	6	6	6	6	6	6
Sewer	6	7	6	7	7	7	7	7	7	7
Totals	210	219	225	228	224	232	251	249	250	250

Source: Annual adopted budget information.

Note: Information is based on the full-time positions budgeted for the fiscal year. Any new positions are generally filled during that fiscal year.

SCHEDULE 16

TOWN OF DERRY, NEW HAMPSHIRE
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008 *	2009
Public safety										
Number of police calls answered	23,688	24,889	24,889	25,937	27,119	27,446	25,979	22,709	21,850	23,426
Physical arrests	1,671	1,619	1,619	1,438	1,757	1,906	1,723	1,427	1,373	1,250
Traffic violations	1,636	1,769	1,769	1,595	1,867	1,803	1,294	1,035	801	833
Parking violations	1,110	1,729	1,729	1,180	937	969	901	797	616	396
Total Offenses Reported (prior calendar year basis)										
Group A	2,224	2,453	2,648	2,623	2,479	2,719	2,654	2,642	2,543	2,544
Group B	1,281	1,481	1,448	1,301	1,132	1,370	1,354	1,176	1,150	1,199
Fire & rescue calls dispatched (5 towns)					7,507	7,238	7,261	7,597	7,386	8,053
Total fire & rescue responses					3,915	3,844	4,126	4,060	4,199	4,519
Fire emergency services					1,066	713	785	907	860	1,248
False alarms	418	349	349	407	427	289	453	337	446	409
EMS/Rescue	1,851	2,142	2,142	3,422	2,422	2,842	2,888	2,816	2,893	2,991
Patients treated & transported						1,971	2,009	2,075	2,305	2,503
Patients treated only						15	14	18	29	53
Inspections conducted	1,317	3,016	3,016	2,945	1,245	1,089	1,444	769		
Fire code									866	1,012
Permits									182	78
Fire Permits					3,837	4,058	1,640	1,704	1,766	3,691
Public safety education programs				317	168	344	379	421	130	128
Program attendees						3,635	3735	4340	2766	4824
Water										
Daily average water consumption	1.92 MGD	1.92 MGD	1.92 MGD	1.4 MGD	1.38 MGD	1.36 MGD	1.32 MGD	1.28 MGD	1.30 MGD	1.18 MGD
Maximum daily capacity in gallons	3.32 MGD	3.32 MGD	3.32 MGD	3.32 MGD	3.32 MGD	3.32 MGD	3.32 MGD	3.32 MGD	3.32 MGD	3.32 MGD
Sewer										
Daily average treatment in gallons	1.70 MGD	1.92 MGD	1.92 MGD	1.71 MGD	1.63 MGD	1.66 MGD	1.88 MGD	1.75 MGD	1.67 MGD	1.85 MGD
Maximum daily capacity	3.0 MGD	3.0 MGD	3.0 MGD	3.0 MGD	3.0 MGD	3.0 MGD	3.0 MGD	3.0 MGD	3.0 MGD	3.0 MGD

Source: Various town departments

Notes: The Town implemented the general provisions of Government Accounting Standards Board Statement No. 34 effective with the fiscal year-ended June 30, 2000. The information provided above is based on miscellaneous statistics included in CAFR's submitted by the Town for the fiscal years 1999-2005. That information has been reformatted into this Schedule and Schedule 17 to comply with the provisions of GASB Statement No. 44. In future years, the Town will look to include other pertinent operating indicators.

* New software installed for FY 2008 has allowed for a more detailed breakdown of information for Fire and Ambulance beginning in FY 2008. The Town was also able to capture some of the more detailed information for earlier years.

SCHEDULE 17

TOWN OF DERRY, NEW HAMPSHIRE
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

	Fiscal Year									
	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	25	30	30	30	30	30	30	30	30	30
Fire stations	3	3	3	3	3	5	4	4	4	4
Fire/EMS Response Apparatus *					24	31	31	30	30	30
Highways & streets										
Miles of streets	165	158	158	158	161	161.5	161.7	160.9	160.9	162.4
Number of street lights	1,246	912	912	912	916	921	921	921	921	921
Miles of sidewalks	18	18	18	18	19	19	19	19	19.3	19.3
Culture & recreation										
Community centers	9	8	8	6	6	6	6	6	6	6
Parks	3	3	3	6	6	6	6	6	6	6
Park acreage	68.4	132.1	132.1	132.1	132.1	132.1	132.1	132.1	132.1	132.1
Multi-purpose fields	4	4	4	9	9	9	9	9	9	9
Baseball/softball fields				8	8	8	8	8	8	8
Beaches	2	2	2	2	2	2	2	2	2	2
Tennis courts	6	7	7	6	5	5	5	5	5	5
Libraries	2	2	2	2	2	2	2	2	2	2
Water										
Miles of water mains	66	67	67	67	68	68	68	68	68.2	68.2
Service connections	3,733	3,726	3,726	3,864	3,913	3,927	3,945	3,966	3,977	3,989
Fire hydrants	525	525	525	540	562	571	573	575	575	591
Sewer										
Miles of sanitary sewers	56	45	45	45	46	46	46	46	46.6	48.9
Miles of storm sewers	16	16	16	16	17	17	18	18	18	18
Treatment plants	1	1	1	1	1	1	1	1	1	1
Service connections	2,796	2,984	2,984	2,999	2,928	2,954	2,984	2,995	3,021	3,029

Source: Various town departments

Notes: The Town implemented the general provisions of Government Accounting Standards Board Statement No. 34 effective with the fiscal year-ended June 30, 2000. The information provided above is based on miscellaneous statistics included in CAFR's submitted by the Town for the fiscal years 1999-2005. That information has been reformatted into this Schedule and Schedule 16 to comply with the provisions of GASB Statement No. 44. In future years, the Town will look to include other pertinent capital asset statistics.

* Information is shown beginning with FY04 because of the merger of the East Derry Fire Precinct into the Derry Fire Department in 2005.