



TOWN OF DERRY, NEW HAMPSHIRE

Comprehensive Annual Financial Report

For the Fiscal Year Ending

June 30, 2012

**Photo on the Cover:
View of Derry Rail Trail Heading South to Windham**

TOWN OF DERRY, NEW HAMPSHIRE
Comprehensive Annual Financial Report
For the Year Ended June 30, 2012

Prepared by:
The Finance Department

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Controller

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Senior Accountant

Town of Derry, New Hampshire
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2012

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Introductory Section



Alexander Carr Park Refurbished Tennis Courts

Town of Derry, NH

Office of the Finance Department

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November 30, 2012

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, 2012 is hereby submitted. Responsibility for the accuracy of the data as well as the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Town of Derry, New Hampshire. All disclosures which are necessary to enable the reader to gain an understanding of the Town of Derry, New Hampshire's financial activities have been included. No other organizations or component units are included in the Town's financial reporting entity.

The government provides a full range of services. These services include police and fire emergency medical service and protection, sanitation services, the maintenance and construction of highways, streets, and related infrastructure, recreational activities, libraries, community access cable television, 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 and Wastewater departments, and they 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 Town Council is

responsible, among other things, for adopting the budget, passing ordinances, appointing committees and hiring the Town Administrator. The Town Administrator is responsible for carrying out the policies of the government, appointing the heads of the Town's departments and for general supervision of all Town operations. Town Council members are elected to three-year staggered terms with two members elected every year, with the exception of three members being elected every third year. Four of the members are elected from within their respective districts; the remaining three are elected at large.

Incorporated in 1827, the Town of Derry is located in the southeastern part of the state and ranks as the fourth largest municipality in New Hampshire despite a population decrease of 4.1% over the past decade. The Town has a land area of 37.18 square miles and an estimated 2011 population of 33,008. The peak-estimated population over the last ten years was 34,710 in 2005. This overall population decline has continued to manifest itself in a 2.0% decline in school population for grades 1-12, following a 2.3% decline the previous year. School enrollment has been declining for five straight years, with a reduction of 7.7% over that period. This general decline in school population data is similar to statewide statistics that portray a declining enrollment in New Hampshire. Overall, the school population increased slightly beginning in 2009 due to the initial year of kindergarten being provided. The Town of Derry, NH and its two public libraries employed 242 full-time permanent employees and 54 part-time employees as of June 30, 2012.

The Town performs cycled assessing inspections 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 last full revaluation in 2006 the Town Council, acting as the Board of Assessors, reinstated the cycled inspection process as well as authorized assessment updates (indexing) beginning in 2008. This indexing by the Town in conjunction with the cycled inspection process is designed to keep assessed values tracking more closely with 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 full valuation resulted in a net reduction of 6.6% in assessed valuation compared with 2008.

In 2010, the Town continued its cycled inspection program and review of completed building permits as well as a review of all residential and commercial condominium complexes, including all condex properties. Appropriate valuation adjustments were made resulting in a slight decline in 2010 of 0.1% from 2009, the third straight year of decline in the Town's valuation. In 2011, the Assessing division completed a Town-wide cycled inspection program for all Manufactured Housing, with the result that the assessments declined by less than 1% as a result of new and/or corrected data. In addition, in 2011 all assessments of Utility property were reviewed Town-wide. This Utility property review was completed since telephone property, previously exempted by the New Hampshire Legislature, became taxable for real estate taxes at the local level and were assessed beginning in 2011.

In the fall of 2011, Assessing completed an operational and fiscal review of its operations for the Town Council. Changes recommended in that review were accepted by the Town Council, leading to operational improvements that lowered overall costs while maintaining

the Town's goal to keep overall assessments as close to 100% of market value as possible. The NH Department of Revenue Administration determined that the Town's 2011 equalized valuation was 105.9% of market value. As anticipated, a full reassessment update was done for 2012 that brought assessments to 99% of market value. This assessment level reflected the fact that there continued to be some decline in the market value of properties. The present assessing plan is to do cycled inspections every year and to do assessment updates every other year.

Economic Condition and Outlook

One measure of economic conditions 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 increased by 3,231 in FY 2012 to 39,332, a 5.6% increase compared to a 5.6% decrease the prior year. While the number of registrations increased, the average value of each decreased in FY 2012 by 4.5%, from \$111 to \$106, compared to the previous year's increase in average value of 5.7%. These trends indicate that there is still volatility in this sector of the economic cycle. These changes reflect the fact that residents are purchasing less expensive and older model vehicles versus new/newer vehicles than in the prior year based on the decreased average value per registration. This data is contrary to national trends where the sales of new autos and light trucks showed a general steady increase throughout FY 2012.

Another indicator of economic condition can be found in the number of building permits issued. Residential permits decreased from 27 in FY 2011 to 19 in FY 2012. However, the number of addition & remodeling permits increased from 269 to 305. Residential building permits for the past four years remain significantly below the FY 2008 level of 80. The average construction value of each residential unit increased from the previous year due to the construction of some larger homes in developments that had been poised for construction. No lower valued multi-family unit permits were issued during FY 2012 or FY 2011. As a comparison, permits issued in FY 2008 included 33 permits for multi-family units. Permits for additions and remodeling increased by 13.4% in FY 2012, compared to a 1.0% decrease from FY 2010 to FY 2011. While permits for additions & remodeling have been fairly consistent over the previous four fiscal years, the levels experienced in FY 2012 reflect a continuing trend toward fixing up existing homes versus building new ones. Overall these trends continue to reflect the general flatness in the housing market nationally. During the first four months of FY 2013, 14 residential building permits were issued, 7 more are anticipated to be issued soon and we anticipate that the level of permits issued will equal or exceed the level experienced in FY2010 and 2011. The Town is cautiously optimistic about the apparent improvement in building permit activity and the average value of the homes being built.

Residential Units	2009	2010	2011	2012
Permits	20	26	27	19
Total Value	\$2.4M	\$3.4M	\$3.4M	\$2.7M
Average Value	\$120K	\$132K	\$125K	\$142K

Local area unemployment statistics showed deterioration in employment from June 2011 to June 2012. In June 2012, the unemployment rate was 6.5% with 1,280 unemployed, versus June 2011 when the comparable statistics were 5.5% and 1,110. Derry's June 2012 unemployment rate is higher than the 5.7% rate for southern New Hampshire communities and the overall State rate of 5.4%. The unemployment rates in Derry, southern New Hampshire and the State trail the 8.2% national level. The overall employment situation improved slightly during the July-September 2012 period with Derry's unemployment decreasing to 6.3% and the State rate decreasing to 5.1%. The Town's unemployment rates for September 2011 and 2010 were 5.7% and 5.8%, respectively. Although the economic outlook for Derry remains generally consistent with the southern New Hampshire economy, the Town lags both the State and Southern NH region employment and continues to be impacted by the overall depressed national economy.

Major Initiatives

For the Year

Building on an earlier update of the Town's Master Plan and work on the Open Space Plan, the Town completed a Source Water Protection Plan that was developed through a joint effort of the Planning Department, the Public Works Department, the Conservation Commission, the Southern NH Planning Commission and the NH Department of Environmental Services. The plan was adopted by the Derry Planning Board in February 2012 and becomes a component of the Town's Master Plan. This plan identifies all public water systems and potential vulnerabilities to the systems and offers guidelines and recommendations to more effectively manage potentially damaging land uses, and more importantly, to protect the drinking water sources for the residents and businesses in Derry.

Throughout the year, the Downtown Committee continued to meet and work on two key initiatives. The first initiative included the development and approval of a Revitalization Tax Relief Program to assist in revitalization of downtown businesses. The second initiative was a continuing effort to create a downtown redevelopment plan for vacant Town-owned property located off of Broadway in the downtown business area. As part of this second initiative, the Town's planning staff created an inventory of all vacant and Town-owned properties. A Town Council workshop on this redevelopment was held in December 2011. Subsequently, the Planning staff was directed to prepare Request for Proposals (RFP) to market the Town-owned land. The RFP is currently under review and is expected to be issued in early 2013. Following a Town Council workshop with groups interested in improvement of the downtown area, the Town recommitted to work with the Downtown Committee, the Greater Derry Arts Council (in its management of the Opera House within the Adams Memorial Building) and the Greater Derry/Londonderry Chamber of Commerce. The Downtown Merchants Association and the Greater Derry/Londonderry Chamber of Commerce are in the early stages of some joint initiatives. Despite the difficult economy and some closings in the Central Business District, FY 2012 saw progress in making the downtown area a more vibrant location in the Derry community. Some highlights were: the former CVS Pharmacy building was purchased by the Rockingham Community Action Program for use as a Head Start location, as well as offices for a variety of programs supporting housing, food assistance, and subsistence and crisis intervention, was opened in mid-2012, the move of a restaurant from leased space to ownership of a former

restaurant site that had been closed for two years, the expansion of an electric bike store, a new gift store that filled a vacant craft store and the creation of a 'craft' beer and wine store complete with lounge area that will occupy space that has been vacant for over two years. The 'craft' beer and wine store is associated with a local entertainment facility. A prominent vacant commercial/residential building in the center of downtown has been filled on the street level with small commercial businesses. A residential transition housing facility expanded their parking by removing a dilapidated building adjacent to the Town's recreational facility/headquarters. Related to the downtown area is the Derry Rail Trail which connects the downtown commercial area to Windham and Salem to our south. The trail was officially dedicated in June 2012 and includes an information kiosk that was constructed by Center for Technology and Education students at Pinkerton Academy.

The establishment of an Enterprise Revitalization Zone serves as a tool for economic development to assist with some 'property tax leveling' during the first five years for new businesses opening in the zoned areas, though to date there have been no applications submitted. The 'zone' covers the Route 28 Corridor Tax Increment Financing (TIF) District, the Central Business District and the Route 28 area heading south to the Windham town line (see later discussion regarding the expansion of sewer and water in this area beginning in the spring of 2013).

Moving Derry Forward, a by-product of the Downtown Civic Profile effort a few years ago, includes representatives from many members of Derry's business community, Parkland Hospital, the Greater Derry/Londonderry Chamber of Commerce, Derry Cooperative School District and Pinkerton Academy, as well as Town officials and staff. This group is led by a member of the Town Council. Its purpose is to promote economic development, create a business growth plan and market the Town and its quality of life...a **Place to Live, Work and Grow Businesses**.

The majority of construction of the new Wal-Mart Super Center in the Route 28 Corridor TIF District was completed during FY 2012. This 155,000 square foot store opened three months ahead of schedule in September 2012 and includes a Subway sandwich shop and a Service Credit Union branch. The former Wal-Mart store is in the process of being acquired by a discount retailer. Other activity occurring within the TIF District during FY 2012 includes:

- Construction was completed on redevelopment of two former auto dealerships into Pinkerton Place, a retail plaza adjacent to the new Wal-Mart store property. A family pet center, a Goodwill retail store and a Panera bread/sandwich shop were all opened. One 9,000 square foot retail pad site is currently being marketed.
- The conversion of a vacant warehouse into a Burlington self-storage facility was approved and will open in early 2013.
- Two pizza/sub shops were opened.
- Major renovations to an existing Applebee's restaurant were completed.

Now that the Wal-Mart Super Center has opened, interest in development of open land within the TIF District has increased, as well as the upgrading of existing space. In particular the parcels located on Ashleigh Drive next to the new Wal-Mart Super Store are

now being actively marketed by a commercial real estate broker and there has been interest by prospective developers at this location.

For the Future

The Town Council and Town staff's focus going forward continues to be to pursue further economic development. This includes:

1. Working to expand and broaden the base of commercial and industrial property to lessen the tax burden on single-family homeowners and provide new jobs to lessen the unemployment rate.
2. Continuing development and redevelopment in the Route 28 Corridor TIF District.
3. Extending water and sewer to the southern end of Route 28, heading towards Windham, so as to better develop that area commercially and industrially following a build out of the Route 28 Corridor TIF District.
4. Preservation and acquisition of prime open space.
5. Mitigation of the impacts expected from the planned Interstate 93 widening.
6. Possible development of an Exit 4-A, with work concluding on a final Environmental Impact Statement (EIS) to be submitted to the Federal Highway Administration and the NH Department of Transportation (NHDOT). This project is expected to coincide with the widening of Interstate 93 between the NH/MA state borders north to its intersection with I-293.
7. The Town staff and boards continue to review possible zoning amendments that might appropriately increase the available commercial/industrial acreage thereby reducing the zones where residential uses are permitted. Workshops started during 2012 and will continue into 2013 to consider commercial zoning for the Webster's corner area in light of the water and sewer expansion that will bring needed infrastructure to that area. The Town expanded "permitted uses" in the Route 28 Corridor TIF District to further enhance commercial/industrial development in this zone.
8. Fire and Code Enforcement Departments continue to consider the merits of developing a blight ordinance to deal with distressed properties throughout the Town.
9. The Planning Board, along with the Planning and Code Enforcement staff, drafted revisions to the sign regulations that would make them more user-friendly. The revisions will go to public hearing in December 2012 and will be reviewed by the Town Council in early 2013.

Infrastructure improvements to support further commercial and industrial development in the Route 28 Corridor TIF District began early in 2012 and were completed in November. The total project cost was \$5.3 million, compared to an original projected cost of \$6.5 million, and will be completed about \$80,000 below budget. The project was funded by the New Hampshire Department of Transportation (\$700,000), a contribution from Wal-Mart (\$424,000), the issuance of a \$3.4 million, 20-year bond at a 2.76% yield in November 2011 and the remainder from the Town's fund balance. Contributions from all future projects and developers towards these infrastructure improvements will be sought to support the coverage of the debt service on the TIF bond. A 12-acre site which formerly

was occupied by an industrial building, since torn down, as well as other undeveloped/underutilized properties within the TIF District are prime locations for development since they are fully serviced by municipal water and sewer. Now that the Wal-Mart Super Store is open and roadway improvements complete, increased development is expected based on discussions with various property owners.

During FY 2012 budgets were revised for water and sewer expansion in the Route 28 south area of Town. Those revisions increased the budgeted appropriations to \$1,968,500 and \$1,975,500, respectively, for water and sewer expansions. The Town Council also approved authorizations to bond those amounts. Engineering of these projects began in 2012, bonding is anticipated during the first quarter of 2013 and construction of system expansions is projected to begin in the spring of 2013. This expansion will enhance the opportunity for commercial and industrial development in this area due to the availability of water and sewer service. This expansion will extend the existing water and sewer service easterly on Rockingham Road to Route 28. From that point at Route 28, water will run north to connect with existing water infrastructure at Humphrey Road, and water and sewer will run south to Berry Road. Future expansions are designed to ultimately take this service further south from Berry Road to the Windham town line.

Revitalization of the downtown area continues to be a community-wide focus by encouraging the occupancy of vacant storefronts and the removal/upgrade of less-than-attractive commercial/residential properties. Construction of a three-story mixed use, residential/commercial/office building in the heart of the Town's downtown area has been approved, replacing an abandoned service station, and construction is scheduled for spring 2013.

In late 2012 the Town Council adopted the New Hampshire *E911* house numbering mapping program. This adoption allows the state to initiate a mapping of the Town for use in New Hampshire's '911' system. Upon completion of the mapping, '911' call dispatchers will be better able to direct emergency responders to the location of an incident. The State will also provide the Town with a report identifying areas of concern. The goal of this effort is to enhance the Town's overall responsiveness to emergency situations.

Despite the continued economic downturn nationally there are ongoing discussions with retailers and other businesses that are considering construction of new facilities, expansion of existing facilities and reopening of closed facilities. The addition of a golf driving range to an existing ice cream shop on Ryan's Hill on Route 28 south is scheduled for construction in 2013. Further south from that location, plans have been approved for a 70,000SF self-storage facility near the Windham town line, with construction to commence in 2013. Both of these facilities, as well as the earlier discussion about Webster's Corner, are an indication of interest in further expansion of the Route 28 south area of Town for future commercial and industrial activity. Within the Central Business District, redevelopment plans are evolving for a former manufacturing facility on Crystal Avenue to be converted into retail space. Staff from various Town departments and Conservation Commission members have been working with the developer of this project to redevelop the site into multiple retail establishments and a 200-seat restaurant. Planning Board approval will be sought in early 2013 and construction is likely to commence during 2013. Already in FY 2013, twenty-six residential building lots have been approved by the Planning Board;

construction of these new residences is expected during 2013. Despite the current economic situation, the Town is excited about its potential and is poised for commercial and industrial development in 2013 and beyond.

Efforts and Accomplishment Focus

The key accomplishments for FY2012 include the construction of the Wal-Mart Super Center, the construction and opening of commercial businesses on three of the four sites in Pinkerton Place, the Town Council's firmer commitment to engineer and begin construction to expand water and sewer service on Route 28 south, the completion of new commercial facilities and the reoccupation/rehabilitation of existing facilities, continued consideration of rezoning some areas of Town to enable enhanced economic development activity and significant activity to enhance the Central Business District through multiple initiatives. All of these accomplishments have been discussed in more detail earlier in this letter. The Town's involvement with and facilitation of the previously mentioned commercial development and related infrastructure activity during continuing difficult economic times foretells that healthy economic development continues and that the Town should be poised for significant activity once the economy recovers.

The official adoption of the New Hampshire *E911* program will provide improved emergency response to situations throughout Town as the various facets of the program are implemented.

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, the Derry Cooperative School District, the Downtown Committee and the Moving Derry Forward group. These alliances will contribute to improving the quality of life in Derry and its future social and economic growth. During the year the Southern New Hampshire Planning Commission completed work on a Regional Comprehensive Plan that will serve as a master plan for the thirteen member communities, including Derry. These and other efforts contribute towards making Derry a "destination community" as well as better balancing the tax burden. Additional efforts continued on a broader regional approach to economic development marketing through a regional organization called *Metro Center*. This collaborative effort is spearheaded by the Greater Manchester Chamber of Commerce and the involvement of surrounding communities.

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 Town departments must follow in managing their respective areas of responsibility in their handling of receipts and 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. Prior audits by the Federal Emergency Management Agency (FEMA) have confirmed the excellent controls and management that the Town has in place.

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, 2012 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 Unassigned Fund Balance and Debt Administration.

General Fund Balance & Debt Administration

Unassigned Fund Balance

The unassigned general fund balance conforms to all the requirements of Government Accounting Standards Board (GASB) 54. Unassigned general fund balance increased from the \$10.2 million at June 30, 2011 to \$12.8 million at June 30, 2012. This increase reflects funds returned to the general fund from completed capital projects, funds that were returned to the general fund in late 2011 after completion of the TIF bond sale and the contribution of funds from FY 2012 operations. The New Hampshire Department of Revenue Administration (DRA) supports the range recommended by the Government Finance Officers Association of the United States and Canada (GFOA) of 8% - 17%

regarding retention of a percentage of total appropriations as unassigned fund balance. The Town of Derry's unassigned general fund balance at June 30, 2012 equals 15.4% of total appropriations, including school and county. The unassigned fund balance remains strong and provides increased flexibility for all Town operations. The management recommendation is to maintain a fund balance of at least 12.5%.

Debt Administration

The Town of Derry had 14 general obligation debt issues outstanding at June 30, 2012. The outstanding general government principal amount of \$9.5 million reflects a net increase from the prior year level of \$6.7 million due to the ongoing scheduled repayment of bond principal and the issuance of a \$3.4 million Tax Increment Financing (TIF) bond in FY 2012. The \$9.5 million outstanding includes a \$1.7 million TIF bond for the Ash Street TIF District and a \$3.4 million TIF bond for the Route 28 Corridor TIF District. Outstanding bond debt for the Water and Wastewater departments was \$3.5 million at June 30, 2012 and \$4.0 million at June 30, 2011. The decrease of \$0.5 million was due to the ongoing scheduled repayment of bond principal and no issuance of any bonds in FY 2012. Based on an estimated population of 33,008, general government bonded debt per capita, excluding the TIF bond, was \$135 per Derry resident at June 30, 2012, down 10% from the \$150 reported in the prior year. This decrease is due to the effect of no new general obligation bonded debt issued during FY 2012 and ongoing scheduled repayment of bond principal, offset by a slight decrease in the estimated population, discussed earlier in this letter. The government has an Aa2 rating from Moody's Investors Service based on a November 2, 2011 rating review related to the bond sale related to the Route 28 Corridor TIF District. 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. 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, 2012, the government's general obligation bonded debt in the general fund, both issued and authorized, was only 15.5% of the legal debt limit (3% of equalized assessed valuation) and \$63.9 million below that limit. These numbers reflect authorization in FY 2012 for a \$3 million bond for a new transfer station and a \$1 million bond for reconstruction of a road. The Water Fund bonded debt was \$249.3 million below and only 1.0% of the legal debt limit (10% of equalized assessed valuation). These numbers reflect authorization in FY 2012 of \$2.2 million of bonding for two water system expansion projects. 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 previously required that the audit firm be changed at least every five years. In September 2012, voters approved a Charter change that requires the Town to issue a 'request for proposal' for auditing services every five years but does not require that a new auditor be selected. Following a Request for Proposals for Auditing Services in early

2010, Melanson Heath & Company, PC, Nashua, NH was selected to audit the Town for three years beginning with FY 2010, with an option at the Town's sole discretion for an additional two years.

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, 2011. This was the fourteenth consecutive year that the Town 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 and review 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, 2011

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.

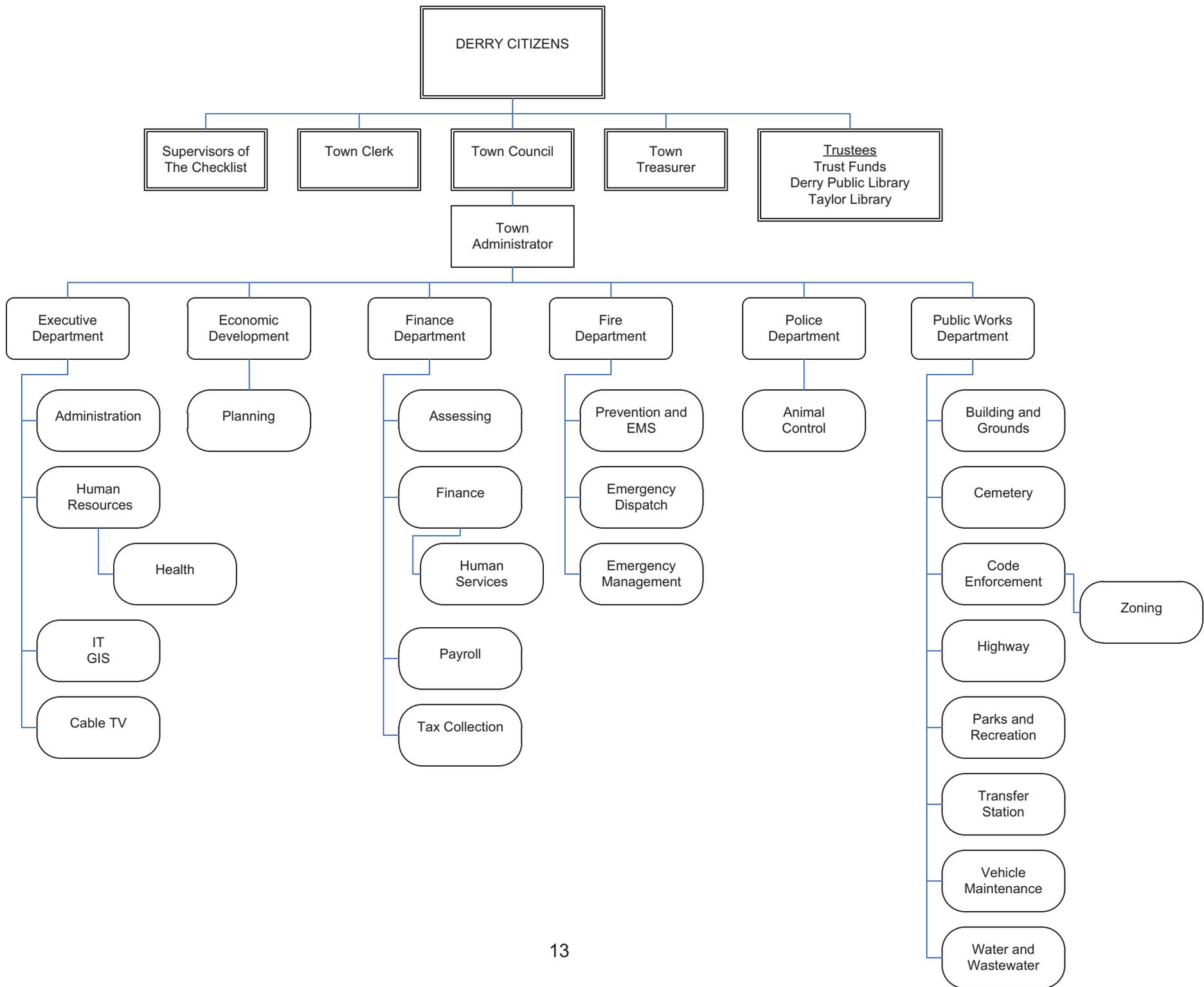


Linda C. Dandison

President

Jeffrey R. Emer

Executive Director



**TOWN OF DERRY, NEW HAMPSHIRE
PRINCIPAL OFFICIALS
AS OF JUNE 30, 2012**

Town Council

Bradley N. Benson	Chair, Councilor-at-Large
Phyllis M. Katsakiores	Councilor-at-Large
Joel C. Olbricht	Councilor-at-Large
Michael D. Fairbanks	Councilor-District #1
David E. Milz	Councilor-District #2
Neil F. Wetherbee	Councilor-District #3
Brian K. Chirichiello	Councilor-District #4

Administration

John P. Anderson	Town Administrator
Marlene L. Bishop	Animal Control Officer
David N. Gomez	Assessor
Margaret Ives	Chair, Conservation Commission
Karen Blandford-Anderson	Chair, Heritage Commission
David Granese	Chair, Planning Board
Betsy Burtis	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 and Assistant Town Administrator
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. Bodendrader	Parks & Recreation Director
George H. Sioras	Planning Director
Nancy H. Watson	Tax Collector
Denise E. Neale	Town Clerk
Rita M. Correia	Town Treasurer
Margaret Ives	Town Moderator

Financial Section



Bucolic Setting for Derry Rail Trail



MELANSON HEATH & COMPANY, PC

CERTIFIED PUBLIC ACCOUNTANTS
MANAGEMENT ADVISORS

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INDEPENDENT AUDITORS' 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, as of and for the year ended June 30, 2012, 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 of Derry's management. Our responsibility is to express an opinion 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 as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, other postemployment benefit plan schedule of funding progress and schedules of condition assessment and maintenance costs be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards

Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

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 and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

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 introductory and statistical section is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Melanson, Heath + Company P.C.
November 30, 2012

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, 2012.

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 (excluding fiduciary funds) 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 government-wide (assets minus liabilities) for governmental and business activities increased \$1.8 million to \$159.1 million.
- For Governmental Activities, Net Assets totaled \$128.9 million and 11.8% of these net assets are Unrestricted.
- Unrestricted Governmental Activities Net Assets totaled \$15.2 million and is unrestricted and available to meet the Town's ongoing obligations that provide a benefit to the citizens of Derry.
- The Total General Fund Balance increased by \$3.0 million to \$19.7 million at June 30, 2012.
- The Unassigned General Fund Balance that is available for future appropriation increased by \$2.6 million to \$12.8 million.
- A \$3.4 million bond was issued in November, 2011. Bond proceeds reimbursed the general fund for prior engineering, land, and easement payments made for Route 28 Tax Increment Financing District roadway project and contributed to funding construction activities performed in 2012.
- The Town collected 97.9% of property taxes billed in the first year of the current tax levy.

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 both activities. The charts on the next two pages highlight current year and prior year comparisons of net assets and changes in net assets for Governmental activities, Business type activities (water and sewer operations), and totaled for each year. Overall, total net assets grew 1.1%. The growth is primarily attributable to the infusion of cash from long-term bond debt that replenished the funds that were spent in prior years for the Route 28 Tax Increment Financing Project.

Governmental Activities

Net assets totals \$128.9 million for governmental activities and includes \$106.7 million in capital assets, net of related debt. Capital assets, net of related debt, are not available for future spending. The components of the \$106.7 million of Capital Assets, net of related debt, is depreciated property value of roadways, land, easements, buildings, vehicles, equipment and software less the total amount of outstanding bonds or leases associated with these assets. Roadways, bridges and sidewalks comprise most of the asset value (\$81.3 million) and provide a function to citizens of Derry, but would not be sold to fund future town obligations.

Town of Derry, NH
Net Assets (in millions)
As of June 30,

	2012			2011		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
Assets:						
Current and other assets	\$ 67.7	\$ 3.8	\$ 71.5	\$ 65.2	\$ 4.5	\$ 69.7
Capital assets	115.3	30.6	145.9	114.1	29.6	143.7
Total Assets	<u>\$ 183.0</u>	<u>\$ 34.4</u>	<u>\$ 217.4</u>	<u>\$ 179.3</u>	<u>\$ 34.1</u>	<u>\$ 213.4</u>
Liabilities:						
Other liabilities	\$ 36.1	\$ 0.1	\$ 36.2	\$ 37.4	\$ 0.2	\$ 37.6
Long-term debt outstanding	18.0	4.0	22.0	14.0	4.4	18.4
Total Liabilities	<u>54.1</u>	<u>4.1</u>	<u>58.2</u>	<u>51.4</u>	<u>4.6</u>	<u>56.0</u>
Net Assets:						
Invested in capital assets, net of related debt	106.7	26.0	132.7	106.5	25.5	132.0
Restricted net assets	7.0	-	7.0	6.6	-	6.6
Unrestricted net assets	15.2	4.3	19.5	14.8	4.0	18.8
Total Net Assets	<u>128.9</u>	<u>30.3</u>	<u>159.2</u>	<u>127.9</u>	<u>29.5</u>	<u>157.4</u>
Total Liabilities & Net Assets	<u>\$ 183.0</u>	<u>\$ 34.4</u>	<u>\$ 217.4</u>	<u>\$ 179.3</u>	<u>\$ 34.1</u>	<u>\$ 213.4</u>

Restricted net assets of \$7 million are subject to use restrictions that are external to local government control and these funds are not available to pay for general town obligations. Permanent endowments comprise the majority of restricted net assets and are in the care of the town's Trustees of the Trust Funds.

Unrestricted net assets total \$15.2 million. These 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. 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 15.4% level currently retained is within the 8-17% recommended range of appropriations required to fund town, county and school activities by taxes and other local government revenues.

Business Type Activities

Net Assets of the water and sewer enterprises total \$30.3 million. The majority of Net Assets include investment of \$26 million in water and sewer pipes, pump stations, and lagoon infrastructure capital assets. Net of related debt from bonds and capital leases, the \$26 million of capital assets is not available to pay for future activities. Unrestricted net assets totaling \$4.3 million is available for future spending.

Analysis of the Overall Financial Position and Results of Operations

Town of Derry, NH
Changes in Net Assets (in millions)
For the year ended June 30,

	2012			2011		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
Revenue						
<u>Program revenue:</u>						
Charges for services	\$ 2.36	\$ 4.60	\$ 6.96	\$ 2.53	\$ 4.53	\$ 7.06
<u>Grants:</u>						
Operating grants	1.45	0.08	1.53	1.82	0.20	2.02
Capital grants	1.33	0.20	1.53	2.70	0.66	3.36
<u>General revenue:</u>						
Property taxes	23.67	-	23.67	23.96	-	23.96
Other general revenue	7.81	0.15	7.96	7.91	0.08	7.99
Total revenue	36.62	5.03	41.65	38.92	5.47	44.39
<u>Program expenses:</u>						
Town:						
General government	5.24	-	5.24	5.77	-	5.77
Public safety	20.09	-	20.09	19.72	-	19.72
Highway and streets	4.04	-	4.04	4.37	-	4.37
Health, welfare & housing	0.64	-	0.64	0.73	-	0.73
Sanitation	1.63	-	1.63	1.58	-	1.58
Culture and recreation	3.35	-	3.35	2.94	-	2.94
Conservation	0.01	-	0.01	0.02	-	0.02
Economic development	0.25	-	0.25	0.29	-	0.29
Interest on long-term debt	0.40	-	0.40	0.36	-	0.36
Water	-	2.31	2.31	-	2.34	2.34
Sewer	-	1.94	1.94	-	1.94	1.94
Total Program expenses	35.65	4.25	39.90	35.78	4.28	40.06
Changes in net assets before transfers	0.97	0.78	1.75	3.14	1.19	4.33
Transfers	0.01	(0.01)	-	-	-	-
Increase (decrease) in net assets	\$ 0.98	\$ 0.77	\$ 1.75	\$ 3.14	\$ 1.19	\$ 4.33

Governmental Activities

Overall, total net assets for governmental activities increased by nearly a million dollars.

Investments in Capital assets, net of related debt increased \$0.138 million.

Our growth in Net Assets results from the Town investing in Capital Assets at a level that exceeds the annual depreciation of the assets. The overall growth in net assets was restrained by the \$1 million increase in long-term employment benefit liability in accordance with Government Accounting Standards Board (GASB) statement 45.

Outstanding taxes and tax liens of \$8.2 million increased \$.6 million over the prior year. This increase is likely attributable to the lagging economy. The tax collector has been working actively with delinquent taxpayers to develop a plan to resolve their debt to avoid tax deeding of the property.

Cash and investments of governmental activities totaling \$61.6 million had increased by \$2.1 million during the year. The increase in cash is attributable to \$1.4 million of bond proceeds that replenished funds spent in prior years as well as an operating surplus for the year contributed to the increase in cash on hand.

A portion of the growth in cash is due to funds held for business enterprise funds which are reported in note 7 of the financial statements. The cash balances held for the water and sewer divisions increased by \$56,000 and \$134,000, respectively. 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 \$34.1 million includes amounts collected for the tax levy billed in May, 2012 that is used to fund the tax year July 1, 2012 to June 30, 2013.

Long-term debt, excluding current maturities, increased \$3.8 million due to the recognition of a \$1 million increase in long-term post-employment benefits and a net \$2.8 million increase in bond and lease debt. Long-term debt includes balances owed that will not need to be paid within the next twelve months. Long-term debt is used to acquire assets that provide a long-term use/benefit to the town (more than a year) and is usually used for higher dollar cost items, just as an individual would borrow money to purchase a vehicle or a home.

The net Other Post Employment Benefit (OPEB) obligation of \$3.7 million for governmental activities represents the fourth year of a thirty-year phase-in of debt recognizing the retiree's effect on the group healthcare insurance premiums. A value is 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 was in a different

plan than the other employees. The effect of this liability is calculated for current employees and retirees who are eligible for this benefit upon retirement.

Since the town continues to follow a “pay as we go” funding of these health care premiums, the impact of the accounting rule will continue to reduce the net asset unassigned fund balance as the liability is incrementally recorded for the next twenty-six years.

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 – totaled \$15.2 million as of June 30, 2012.

	For the year ended June 30,					
	2012			2011		
	<u>Total Cost</u> <u>of Services</u>	<u>Total</u> <u>Revenue</u>	<u>Net Cost</u> <u>of Services</u>	<u>Total Cost</u> <u>of Services</u>	<u>Total</u> <u>Revenue</u>	<u>Net Cost</u> <u>of Services</u>
Town programs:						
Public safety	\$ 20.1	\$ 2.1	\$ 18.0	\$ 19.7	\$ 3.0	\$ 16.7
General government	5.2	0.1	5.1	5.8	0.3	5.5
Highway and streets	4.1	2.1	2.0	4.4	3.0	1.4
Culture and recreation	3.4	0.2	3.2	2.9	0.2	2.7
Sanitation	1.6	0.5	1.1	1.6	0.5	1.2
Health & welfare	0.6	0.1	0.5	0.7	0.2	0.5
All others	0.6	-	0.6	0.7	-	0.7
Total	<u>\$ 35.6</u>	<u>\$ 5.1</u>	<u>\$ 30.5</u>	<u>\$ 35.8</u>	<u>\$ 7.1</u>	<u>\$ 28.7</u>

The Net Cost of Services chart shown above demonstrates the financial impact that was placed on the Town’s taxpayers by each of these functions of government. The Town’s investment in public safety - fire, ambulance and police services, represents the largest share of the net cost of Derry’s local government (59%). In 2012, the net cost of services increased \$1.3 million for public safety programs, \$.4 million for highway and streets and \$.5 million for culture and recreation (libraries and recreation). The net costs of services declined by \$1.4 million for general government and \$.1 million for sanitation.

The cost of providing public safety services to the citizens of Derry is responsible for 72% of the overall \$1.8 million increase in the net cost of services. There was a \$.9 million decrease in revenue and a \$.4 million increase in expense noted for the public safety division. The police department’s salary and benefit cost increases were responsible for most of the increase as the police department vacancies in the prior year were filled. Also, rising retirement rates for public safety personnel also contributed to the increase in cost for the police and fire departments. There were fewer reimbursable special detail traffic control assignments filled by the police for wiring upgrades and lower ambulance call volume that was responsible for a third of the public safety service revenue decline. One third of the change in public safety revenue was due to the receipt of large capital grants for fire station improvements and police tactical gear in 2011 that were one-time grants. Operating grants

were also lower in 2012 as a result of the elimination of subsidies made by the state of NH for the Town's retirement costs.

Business Type Activities

Water/sewer net asset values increased by \$.8 million. Besides operating surpluses in both the water and wastewater divisions, the Water division invested \$.2 million more in its capital asset infrastructure than it depreciated during the year, contributing to an increase in net assets. The sewer division's assets depreciated more than the amount reinvested in it during the year by \$0.3 million. On balance, the repayment of \$514,000 in sewer loans and \$50,000 in water loans during the year increased the overall value of capital assets, net of related debt.

Capital assets net of related debt increased \$.5 million. This favorable trend is a reflection of business enterprise efforts to continue to invest in its infrastructure while reducing long-term debt.

Accounts receivable due from other governments continued to grow by \$.1 million to \$.9 million due to State of NH budgetary issue that has delayed reimbursement of a NH Department of Environmental Services Grant obligated to be paid to the Town. Derry is part of a coalition of other towns that is advocating to the State to appropriate funds to pay its legal obligation to the town(s).

The internal balances in governmental activities that relate to business type activities increased \$.2 million to \$2.6 million as a result of operating surpluses.

Analysis of Balances and Transactions of Individual Funds

Governmental Funds

Total general fund balance increased by \$3 million to \$19.7 million as of June 30, 2012. The growth was impacted by the following factors: \$1.4 million of the \$3.4 million bond replenished general fund balance and a net amount of \$.8 million was transferred in to the general fund primarily from closed capital projects. The remainder was derived from operations – slightly higher revenue than anticipated and lower than budgeted expense.

Overall, the Expendable Trust and Capital Reserve Funds reported in the general fund grew by \$362,344. Besides annual growth due to investment income, the Land and Building fund was replenished by \$272,000 upon the close out of the Rail Trail capital project. The Compensated Absences Expendable Trust increased in value by \$230,000. A disbursement from the Fire Apparatus Fund of \$77,000 covered the debt service payments of an ambulance. Other disbursements included \$45,000 to fund contracted assessing services from the Assessing data collection reserve, and \$38,000 from Fire Facilities and Equipment funded fire equipment capital purchases.

Transfers in and out of these accounts assist in long-range capital planning and funding the compensated absences expendable trust. The use of these funds has been an important and effective planning tool to save and prepare for major projects under the tax cap constraints on annual net appropriations.

Overall, cash balances in the general fund increased by \$2.1 million primarily due to the \$3.4 million of bond proceeds issued for the Route 28 project. The bond proceeds reimbursed the general fund by \$1.4 million dollars for expenses incurred in prior years as well as a surplus derived from operations.

The effect of events discussed in the final budget to actual changes noted after this section contribute to the changes in general fund balance. The amount of revenue and other sources that exceed the expenditures in other sources add to unassigned general fund balance at year-end. Any restrictions or commitments or assignments of funds are carved from unassigned fund balance to reflect restrictions due to external obligations or commitments made by the Town council or assignments made by management.

General Fund Encumbrances (commitments to fund obligations that were not completed at year-end) increased from \$.1 million to \$.6 million at June 30, 2012. This assignment of fund balance increases when materials or services ordered in the current year are not available for delivery until the next fiscal year. All of the increase is due to funds being set aside for a transfer station trash trailer and highway vehicles ordered in 2012 for the Public Works division that were not yet received at year-end as well as for contracted engineering services associated with Route 28 South/Rockingham Road project.

The Other Governmental Fund Balance reported on page 46 increased by \$.8 million to \$10.2 million and includes funds recorded in special revenue and capital project funds. The primary change in this fund balance is due to the increase in funds set aside for the Route 28 TIF project from bonds, grants and other contributions of \$1.7 million, offset by distributions of surplus funds from closed capital projects to the general fund.

The Transmittal letter that starts on page 1 provides more information about the Route 28 TIF project, including the funding sources for the project. Of note, the bond proceeds were split between the general fund and the capital project fund. Of the \$3.4 million bond, \$2 million was allocated to the Route 28 TIF Capital Project Fund and the remainder was used to reimburse the general fund for temporary advances made for this project, as authorized by the Town Council. In 2012, \$1.1 million was spent on the Route 28 roadway infrastructure project.

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. This project was funded and managed at the state level as it affects state route 102. The Town capitalizes the expansion of the intersection because the intersection is in an urban compact zone that is maintained by the Town. The balance remaining in this fund is \$19,000, the unused portion of a prepayment to the State for this project that the State has

subsequently refunded in 2013. After recognition of minor close out expenses by the state, \$63,000 was returned to the general fund at year-end.

The Bridge Improvements Fund includes activity associated with bridges on South Avenue, Drew Road and North High Street. The 80% cost share from the State of NH for cumulative construction costs associated with the South Ave (\$124,000) and Drew Road (\$180,000) projects was recorded, now that those projects are complete. Since the South Ave and Drew Road Bridge Projects had cash surplus, the money was transferred to the general fund. During the year, engineering and construction totaled \$224,000 for South Ave and \$61,000 for Drew Road. Preliminary engineering for North High Bridge totaled \$4,200. Since the Town accelerated the improvements to the Drew Road Bridge ahead of the State plan, the cost reimbursement committed to be paid by the state will be delayed for several years. Since these funds are not readily available from a cash flow standpoint, the amount due from the state is classified as non-spendable until the State funds their obligation.

The Rail Trail Project that was funded in the prior fiscal year was modified. Originally the scope of the project was to include regional rail trail funds to improve our bike path on a former railroad bed. The potential grant required financial commitments from area communities and rigid construction requirements that made the grant award not feasible to obtain in a timely manner. As a result, the Public Works division narrowed the scope and paved and improved Derry's bike path with funds that were dedicated to the project in prior years, taking advantage of lower construction costs. This bicycle and pedestrian trail is enjoyed by a wider population, now that it is paved. Unused funds totaling (\$272,000) were transferred to the Land and Building Fund. Also, the Recreation Facility Capital Project for Veterans Hall was reinvigorated by a \$60,000 transfer of funds from the Rail Trail Fund that was closed. The purpose of the allocation is for roof improvements.

The current purpose of the Public Safety Capital Project Fund was fulfilled in 2012, after completion of the installation of sprinkler systems. Costs incurred this year totaled \$37,545 and were split between the following fire stations: Hampstead Road (\$17,325), Island Pond (\$15,470) and Central Fire (\$4,750). All grant funds were received and the fund is closed.

Special revenue funds include funds raised for specific purposes from sources that are not primarily property taxes. These funds cover the activities of two expendable trust/reserve funds raised by motor vehicle fees for recycling and transportation improvement, two libraries, the cable program, the conservation commission, public health and public safety funds and miscellaneous grants funds.

The key activities that occurred in this category of funds includes:

Cable Fund Balance increased \$90,888. Annually, franchise fee income is budgeted only to the amount required to fund the cable operations annual costs. This year, a combination of higher revenue from franchise fees of \$(75,000) and lower costs of operations resulted in the expected operating surplus.

The Derry Public Library completed a major renovation by refurbished the main floor of the library. The cost, funded by accumulated library equipment revenue, fines and donations was \$209,000 to accomplish this project which entailed moving and safely storing their book collection of 125,000 in order to replace carpeting, paint and improve computer workstations within the facility to better respond to the technological needs of the community.

The Taylor Library's special revenue fund balance increased by \$5,000 as the funding to the library within the general fund meets their operating needs. This increase is attributable to donations, permanent trust fund distributions, library equipment revenue and fines that accumulate for future use by the library as determined by the Taylor Library Trustees.

The Conservation Commission Fund Balance increased \$107,000 primarily affected by a donation of \$100,000 from Wal-Mart related to their new commercial project and \$7,500 from land use change taxes. Investment interest primarily offset appraisal fees.

The Emergency Management Fund was utilized to account for FEMA qualified disaster areas. The Town received \$138,000 for municipal costs associated with these weather event emergencies that included Hurricane Irene and the Halloween Nor'easter that resulted in wide spread power outages and debris removal.

The Public Health Fund was reimbursed for \$73,680 in expenditures for regional public health planning fully funded by State Grant revenues. The grant primarily funds salaries and benefits of designated employees that provide training and coordination with other local governments.

About two thirds of the expenditures within the Public Safety Fund are reimbursed by the State of NH for overtime and associated benefit costs covering public safety patrol activities. These activities include monitoring and enforcement of speed limits, stop light violations, impaired driving, and underage drinking. Seat belt safety training is also provided. One third of the funds are derived from Justice Assistance Grants administered by Rockingham County that allow the police department to acquire new equipment. Accumulated funds from drug forfeitures are also maintained in these funds and may be spent on qualified expenses of the police department. There was \$72,000 spent on these activities during the year out of this fund.

The Miscellaneous grants fund balance decreased by \$6,300 during the year to \$25,000. Most of the activity in this account was attributed to the revenue and expenses associated with the Farmers Market. At the end of the year, the money collected for the Farmers market was transferred to the General fund as an assigned balance. Other grant activities within this fund relate to the popular Derry Dog Park maintenance costs of the park are offset by donations. The primary reason that this funds value declined was that a health and welfare donation received in a prior year were spent during the current year.

The Waste Tire Reclamation Fund balance increased by \$54,889 because the amount collected from fees totaling \$109,074 raised in the general fund for said purpose were more than the amount eligible to be retained in the general fund.

The Transportation Improvement Fund increased \$1,288 primarily because the amount collected from fees totaling \$161,230 raised in the general fund for said purpose were more than the amount eligible to be retained in the general fund.

Permanent Trust Funds are held in the custody of the Town of Derry's Trustees of Trust Funds who have utilized Citizens Bank since in December, 2009 to administer the trust fund investments. Distributions of income from the permanent funds included transfers to the general fund to reimburse qualified expenses of \$75,000 for cemetery operations, \$104,000 for operations and maintenance of Alexander Carr Park, \$4,000 for entertainment at Macgregor Park, \$4,000 for general assistance to the poor and \$2,600 for books or children's programs at the libraries. Only a net of \$61,050 was transferred to the general fund for the maintenance of the cemetery because \$13,350 was raised from perpetual care fees. These new funds to the Cemetery Trust become part of the permanent value of the fund. The disbursements from permanent funds reimburse eligible costs as defined by the trust fund records. Since investment income and gain on fair values exceeded transfers out, the value of the permanent trust fund balances increased by \$50,133.

Enterprise Fund Activities

A review of the water and wastewater division activities in 2012 reflects a continued pattern of lower debt service as both divisions continue to retire debt, most notably in the Wastewater division where \$513,000 was retired.

Increase in service revenue reflects the impact of new service connections or increased consumption. Water revenue increased \$75,000 primarily as a result of thirteen new service connections and sewer revenue increased \$42,000 due to eighteen new service connections. Average water consumption increased 5% and average sewer usage grew 8%.

The revenue from the increased water consumption is offset by the town's direct water costs purchased from Manchester.

There were no increases in water rates in 2012. Our water rates are driven by the rates charged by Manchester, our water provider - so when their rates change - our rates are re-evaluated.

There was no new extension of the water or sewer system's lines in 2012, but new service connections were implemented on existing lines. Local wastewater ordinances do not require property owners to hook into the sewer system until there is a septic system failure.

Both of water and sewer enterprises continue to generate operating income - \$385,000 for the water division and \$387,000 for the sewer division. With a continued growth in net assets for both divisions, the enterprise funds continue to be operating effectively as they continue expand the water and sewer system in conjunction with their master plan. The major expansion activity approved in 2012 is in the process of being engineered.

Analysis of Significant General Fund Budget Variations

A summary of General Fund budget to actual information may be found on page 50 of the financial statements.

Original to Revised Budget Changes

Within the Town's 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. The Town Council appropriates a "bottom line" budget for each department, which includes annual capital asset appropriations for each department.

The Council and Administrator, based on guidelines outlined in the Town Charter, may transfer appropriations to facilitate activities, providing flexibility to take advantage of opportunities that may arise in a timely manner.

Two supplemental appropriations were authorized by the governing body in 2012:

The Town Council approved a supplemental appropriation of \$63,378 to fund an expanded scope of preliminary engineering services for roadways and culverts for the Rockingham Road area. This supplemental appropriation was done to expedite the environmental permitting process to facilitate construction in 2013. This appropriation was funded through a transfer from surplus appropriations derived from the completed Crystal Avenue and Broadway intersection capital project. Other transfers from within the Public Works budget were utilized to supplement the engineering budget for this project.

In conjunction with the Town's commitment to reduce the use of salt in watersheds, the Town Council authorized a \$280,000 supplemental appropriation for new highway salt trucks equipped with ground speed control, a spreader with brine saddle tanks, in cab air/ground temperature sensors, on-spot chains, and a bottom scraper. This appropriation has a favorable impact enabling the Town to acquire major capital assets with an 80% capital contribution from federal funds passed through the state upon fulfillment of all the grant terms. The 20% Town Share, \$70,000, was funded within the Public Works Department by savings from snowplowing contracted services during the FY12 mild winter.

There was only one budget transfer between departments that occurred during the year. At the time that the 2012 budget was established, the NH Retirement System's official rates were not finalized due to legislative changes. Proactively, the Town budgeted \$272,000 for the anticipated changes in retirement rates associated with the elimination of the State's subsidy to the retirement system. The estimate was appropriated to the Finance department, and then was transferred to the police and fire departments, \$108,000 and \$164,000, once the retirement system's official rates were established.

Final Budget to Actual Variances

The General Fund achieved its revenue projections coming in \$69,285 above budget, overall. Variances within specific revenue categories are explained below:

Despite the \$643,000 growth in outstanding tax receivables, the Town's revenue derived from taxes was \$377,586 higher than budgeted. Interest earned on real estate tax levies and tax liens that is recognized when collected exceeded budget by \$107,000 as property owners executed payment plans to resolve older tax liens to avoid their property being deeded. Overlay, the portion of taxes raised to cover potential tax abatements, was budgeted higher than the amounts needed to refund or reserve for potential exposure, and tax liens collected are not budgeted as revenue because these amounts were levied to fund activities of prior tax years.

Licenses and permit revenue was \$97,102 stronger than budgeted primarily due to an increase in motor vehicle registration revenue. The amount collected associated with motor vehicles registration fees was \$184,000 higher than budgeted due to an increase in vehicles registered. Building permit revenue was \$94,000 lower than budgeted due to a sizable commercial permit that was collected earlier than anticipated in 2011 rather than as budgeted in 2012. Sales of a higher quantity of cemetery plots were responsible for perpetual care fees exceeding budget by \$5,000.

Intergovernmental revenue was \$630,920 below budget. A major portion of this variance, \$418,000, was impacted by good faith budgeting for a proposal for Derry to expand its dispatch center as well as provide dispatch services to a neighboring community. Though the Town does not typically budget for "proposed" revenue streams, the revenue and offsetting expense were placed in the budget to better reflect the Town of Derry's commitment to this proposal being negotiated. Because an agreement was not reached, both revenue and the expenses for the proposed expansion to the prevention and emergency management program were lower than budgeted. A timing delay of the purchase and subsequent reimbursement for equipment associated with the Town's Salt Mitigation plan moved a \$150,000 budgeted reimbursement to 2013. The meals and rooms tax and the highway block grant distributed by the State of NH were \$44,000 and \$24,000 less than the budgeted.

Unanticipated reimbursements from FEMA for hazard mitigation associated with Hurricane Irene and the Halloween snow event as well as a \$45,000 refund from the State associated

with the change in retirement funding was offset by the loss of anticipated revenue from a Federal program that reimbursed employer benefit costs for retirees.

The Town earned \$226,205 less charge for services revenue than budgeted, primarily because police details were 79% (\$179,000) of the service revenue shortage. Since there is a direct offset to overtime and benefit expense in the police department, this loss of revenue is significantly mitigated by lower police expense. Ambulance revenues were \$114,000 less than budgeted due to a lower call volume. Since the town did not expand its dispatch service area, including fire alarm monitoring, \$57,000 for the monitoring services was not recognized. The revenue variances in the Public Works Department were generally favorable. Sheet metal recycling revenue was \$19,000 less than budgeted, but continued to be stronger than the prior year. Construction material revenues were \$44,000 above budget. Recreation revenue was stronger than budgeted by \$28,000 - Don Ball Park concession stand brought in \$13,000 of the overall higher revenue as more people utilize the water park and picnic areas of the park. Engineering inspections generated \$63,000 more revenue than anticipated as construction projects were active in 2012.

Investment interest income exceeded budget by \$104,796 due to successful efforts made by the Treasurer to seek other investment alternatives, including investing in the ICS (insured cash sweep) money market program and CDARS (certificate of deposit account registry service) program, both of which are FDIC insured.

Miscellaneous revenues exceeded budget by \$351,532. Miscellaneous revenue exceeded budget primarily because the town received \$193,000 from sales of tax-deeded property that was budgeted in the prior year, but collected in 2012. The Town also received a \$62,000 premium on the Route 28 bond sale and \$50,000 for workers compensation, disability or property insurance claims. The remainder of the variance relates primarily to the receipt of unanticipated restitution or reimbursement to the town.

Proceeds from the sale of capital assets exceeded budget by \$62,867. A trade in of police radios and other auction items by police was responsible for \$42,000 and \$27,000 was associated with the liquidation of other properties owned by the town in an effort to expand the tax base.

Revenue from capital leases were \$113,346 below budget primarily because of savings of \$70,000 for the police radios and in car computers and \$7,000 for a transfer station trailer due to better pricing at the time of acquisition.

Transfers in are reported as \$45,873 more than budgeted and represent transfers in from FEMA special revenue funds to cover indirect equipment usage costs.

Overall, total general fund expenditures were \$1,752,178 less than budgeted.

The highlights of the differences are listed below:

Prevention and Emergency Services and Emergency Management expenditures were \$382,221 less than budgeted. As previously noted, the department was not required to incur the higher labor or capital costs budgeted to get the department prepared to take on a large community. The total amount of savings to the department would have been higher than noted above, but the distribution of accumulated earned time to department personnel exceeded budget by \$155,000.

Police Department, including the Animal Control division, spent \$458,759 less than its adopted budget primarily in personnel costs of \$328,000. More than half of the savings in personnel was due to fewer special police details that reduced overtime by \$151,000. Other major savings were due to staffing changes that result in periodic vacancies. Operational savings of \$40,000 was noted in all categories of the department, consistent with the department's goal to develop and invest in improvements that will lower costs by improving efficiencies. The department reduced its capital and debt service costs by \$90,000 due to better pricing at the time of purchase for police radios and in car computers.

Notably, after four years of negotiations, the Police Patrolman's Association and the Town approved a three-year union contract in February, 2012, and the contract includes a cost of living increase as well as increased employee share toward health insurance, all of which were included in the actual cost to the department this year.

The Executive department contributed \$19,679 in savings to restore fund balance as a result of \$12,000 in lower Health division costs primarily associated with the mosquito control program. The remainder of the difference is associated with lower retirement benefits within the department.

The Finance department's actual expenses were \$437,953 less than budget. The human services operations generated \$110,000 in savings due to less general assistance obligations and benefit savings associated with a temporary vacancy of support staff. "Group 1" of the retirement system incurred lower retirement costs than budgeted when rates were set for 2012. Actual retirement costs for the Finance department were \$22,000 less than what was budgeted as a result of the rate changes made by the retirement system. Assessing contributed an additional savings of \$75,000, primarily because the department used in-house staff more in order to reduce the scope of work budgeted for outside assessing services. Actual legal services were \$91,000 higher than budgeted. The primary difference for the budget variance is that \$345,000 is budgeted as a "transfer to capital reserve" as required by the Department of Revenue, though the capital reserve funds remain in the general fund and therefore are not reflected as an actual transfer in budgetary reporting.

Town Clerk and elections department was \$11,757 below budget primarily due to lower temporary wage expense and printing costs associated with the elections.

The Libraries generally spend all of their operating funds raised by taxation. The Taylor Library spent \$472 less than budgeted for operations.

Planning department spent \$12,132 less than budgeted due to lower personnel costs associated with the retirement savings described above as well as lower outside engineering costs affected by using a different engineering firm to perform the services.

The Tax Increment Financing District budget for Route 28 was \$106,081 below budget because the interest paid on the debt was budgeted for a larger bond amount and for a full year. The bond was issued in November, 2011.

Public Works closely managed their budget with \$323,124 remaining. Primary savings in personnel costs (including retirement) associated with Vehicle Maintenance division totaled \$67,000. This savings was consumed by higher costs in the cemetery division (due to unanticipated volume offset by increased revenue) and higher hauling costs at the transfer station due to increased volume of construction materials. Savings in personnel costs for Code, Parks and Building and Grounds divisions contributed \$69,000 to the department's performance. The Highway division's personnel costs were lower as a result of fewer snow/ice events during the year. Lower overtime for the Highway division of \$42,000 as well as retirement of \$23,000 contributed to the overall difference. The remainder and largest part of the variance relates to capital outlay that was deferred to 2013 due to the protocols associated with the salt mitigation program.

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 as of June 30,
(Net of Depreciation)

	2012			2011		
	Governmental	Business-type	Totals	Governmental	Business-type	Totals
	Activities	Activities		Activities	Activities	
Land	\$ 6,863,451	\$ 201,877	\$ 7,065,328	\$ 6,866,889	\$ 201,877	\$ 7,068,766
Buildings	13,149,608	116,452	13,266,060	13,332,914	120,320	13,453,234
Vehicles & Equipment	3,782,389	273,651	4,056,040	4,286,130	209,925	4,496,055
Construction Work in Progress	3,193,029	153,163	3,346,192	3,344,910	28,783	3,373,693
Infrastructure & Improvements	85,420,451	28,181,610	113,602,061	83,899,356	28,450,311	112,349,667
Intangibles	2,680,707	583,432	3,264,139	2,346,475	583,433	2,929,908
Totals	<u>\$ 115,089,635</u>	<u>\$ 29,510,185</u>	<u>\$ 144,599,820</u>	<u>\$ 114,076,674</u>	<u>\$ 29,594,649</u>	<u>\$ 143,671,323</u>

Governmental Activities

There was improvement in the Town's financial position regarding capital assets during the year. In 2012, additions to capital assets totaling \$2.9 million contributed to a net increase of \$1.0 million on capital asset value after depreciation and asset disposals over the prior year. This increase was achieved with a combination of funding by donations, taxes, grants and debt.

Assets disposed during the year included fully depreciated vehicles and equipment, surplus land with original cost values of \$3,400 and Tax Deeded Property values of \$95,300.

The Rte. 28 corridor TIF project includes costs of engineering, construction, and parcel/right of way acquisitions for roadway improvements. A combination of a New Hampshire Department of Transportation (NHDOT) grant, donation by Wal-Mart and a TIF District Bond were used to fund this \$5 million project.

Other additions include bike path Improvements located on an old Railroad corridor heading south towards Windham. The Town funded the project, with a portion covered by donations secured by the Derry Rail Trail Alliance. State Bridge aid partially funded the South Avenue Bridge reconstruction in 2012. NHDOT managed the reconstruction of the Route 28/Route 102 intersection, located in our compact zone. The completed project, covered by Town and Federal grants in 2012, was under budget.

Major acquisitions in 2012 are reported to the nearest thousand are noted below:

- \$1,100,000 – Rt. 28 Improvements-Engineering & Parcel/ROW acquisitions
- \$ 292,000 – Tax Deeded Property- Taxes, Interest and Acquisition Costs
- \$ 262,000 – Phase 2 Bike Path Improvements
- \$ 223,000 – South Avenue Bridge Reconstruction
- \$ 214,000 – Police Radio Capital Lease Purchase
- \$ 187,000 – Road Acceptances
- \$ 133,000 – Rt. 28 and Rt. 102 Intersection Improvements

State or Federal Sources funded eighty percent of the Town's bridge projects during the past decade, including the South Avenue Bridge, completed in 2012. Bridge infrastructure has an expected useful life of 50 years.

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 required to maintain the value of the roadway systems. The Town uses a Pavement Condition Index (PCI) developed by engineers to measure the quality 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 FY 2003, the Town of Derry adopted a roadway maintenance program designed to maintain roads in good condition. Roadways are in good condition if rated in a Pavement Condition Index (PCI) range of 68-80. Achieving a rating of 76, after conducting a full review of our roadways this year, designates the Town's roadway infrastructure above the mid-point of the range adopted by the Town Council. This PCI rating takes the baseline level from the last full review, and updates the system related to improvements to the roadways. Hence, the PCI indicator in any interim year may be slightly overstated, but improvement to the rating reflects the progressive improvements in the roadway system since the last full system review. An interim rating does not reflect the impact of other roads that may deteriorate during the rating period.

The Town currently estimates that an annual expenditure of \$1,380,000 would be required to maintain the current rating level. The Town invested \$1,375,000 to maintain our roadways, an increase of approximately \$300,000 over the prior year.

The Town is able to 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 our roadways remain in good condition and are not deteriorating.

Business Type Activities

Primary capital investment in 2012 is reported to the nearest thousand as noted below:

- \$174,000 – Bypass Route 28 Water Improvements
- \$97,000 – East Derry water Interconnect- Pennichuck Water Donation
- \$82,000 – 2012 Ford F550 Crane Utility Vehicle

Investment in water system improvement in the amount of \$371,000 was the primary major investment in business type activities in FY 2012. This investment along with replacement of aging equipment and vehicles and engineering for related to future water and sewer expansion projects did not keep pace with annual depreciation and therefore there was a net decrease in value of \$111,000 for business type activities.

Construction of a major \$3.9 million water and sewer expansion funded via debt along Route 28/Rockingham Road towards Salem is schedule to commence during the spring of FY13.

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

Long-Term Debt

Town of Derry, NH
Outstanding Bond Debt
As of June 30, (in millions)

	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
General obligation bonds (Backed by the Town)	\$ 4.45	\$ 4.96	\$ 3.49	\$ 4.05	\$ 7.94	\$ 9.01
Tax increment financing bond	5.08	1.76	-	-	5.08	1.76
	<u>\$ 9.53</u>	<u>\$ 6.72</u>	<u>\$ 3.49</u>	<u>\$ 4.05</u>	<u>\$ 13.02</u>	<u>\$ 10.77</u>
Annual change (decrease)	2.81		(0.56)		2.25	
Percent change	41.8%		-13.8%		20.9%	

Governmental Activities

The Town of Derry was rated Aa2 in the fall of 2011 for credit worthiness. As planned, a \$3.4 million bond was issued to fund a portion of the roadway improvements for the Route 28 Tax Increment Financing District that spurred economic development in the area. General obligation bonds for governmental activities decreased by the annual debt service of \$510,000.

In 2012, the town entered into three new leases for the following items: Two F350 trucks for use by public works (\$70,000), police radios and laptops (\$237,704), and a Transfer Station trash trailer (\$59,950). Strategically, the vehicle replacement-leasing program was designed to balance the debt service payments in order to stabilize the impact on the tax rate.

The State of New Hampshire limits general obligation debt to 3% of the assessed value of all taxable property within the Town's corporate limits. The Town's borrowing level is well below the limit imposed. Derry's outstanding general obligation debt of \$4,450,000 plus authorized debt of \$7,261,880 is 85% below the \$76 million cap imposed by the State of NH – reflecting a favorable borrowing capacity for a community the size of Derry.

Other obligations include accrued vacation pay, sick leave and other post-employment benefits (OPEB). More detailed information about the Town's OPEB liability is presented in Note 18 to the financial statements.

Other information regarding Capital Leases and Long-Term Bond Debt is presented in Notes 11 and 12 to the financial statements.

Business Type Activities

Water and Wastewater outstanding debt continues to be at their lowest levels in more than ten years. In 2012, new bonds were authorized to expand service connections in conjunction with the Town's master plan that will reverse the declining debt trend. This borrowing opportunity will benefit the Water and Sewer's system expansion goals during a time of lower construction costs and will provide the infrastructure that is needed for commercial economic growth in the area of Route 28 South (Rockingham Road).

Water bond debt of \$350,000 at year-end is reduced by \$50,000 annually until retirement in August, 2018. In 2012, the Water Commissioners authorized bonding for water system improvements to the Woodlands Community Water System totaling \$250,000 and for new water mains to the Route 28 South (Rockingham Road) area of \$1,968,500. Though authorized, the bonds were not yet issued at fiscal year-end.

Wastewater debt totals \$3.4 million. Three of the five existing bonds are scheduled to be retired by August, 2013. No new bond debt was issued in 2012, though a bond was authorized for new sewer mains to the Route 28 South (Rockingham Road) area of \$1,975,500.

Known Facts, Decisions, or Conditions Currently

Economic Factors and Next Year's Budgets and Rates

Inflation in the Greater Boston metropolitan area that includes the Town was higher than the increase in the U.S. City Average Consumer Price Index (CPI). The CPI rate increased 3.44% for the local area compared to the national increase of 3.2%. Higher energy, transportation, food and medical costs nationwide has attributed to the increase.

The Town Services budget for fiscal year-ending June 30, 2013 was set slightly below the tax cap that enables growth in line with the increase in the Consumer Price Index (CPI). As a result, the tax rate cap increased 3.2% over the prior year. The tax rate that covers the 2013 fiscal year budget was set at \$30.58, of which town services represents \$10.39 of the tax rate. The average homeowner's tax bill increased 4.1% primarily due to the increased cost of the school and county appropriations that are not subject to the tax cap.

While our assessing division monitored market changes, a revaluation reduced property values by 6.9% due to a town-wide valuation update. Keeping pace with market value changes reduces our exposure to the risk of tax abatement challenges by taxpayers. The decline in values in Derry is comparable to trends, nationally. Added property value from new construction and additions/remodeling helped offset the reductions in overall property values reducing the overall valuation adjustment to 6.2%.

The adopted 2013 Capital Improvement Plan for governmental activities included expenditures of \$5.09 million. Vehicle and Equipment replacements of \$.67 million for fire, police, highway and cable are also included in the 2013 budget as well as \$3.28 million for fire, police, transfer station and library facilities and \$1.14 million for roadways and sidewalks. These budgeted investments in our capital assets, coupled with active capital projects previously authorized for Route 28/Rockingham Road, demonstrate a substantial commitment by the town to continue to improve the quality of Derry's roads, buildings, vehicles, equipment, in order to better serve the residents of Derry.

A notable item included in the Capital Improvement Plan is a \$3.0 million facility upgrade to the Town's transfer station. Management is confident that this state of the art upgrade will increase recycling revenues for the town to a level that will facilitate repayment of its bond debt from increased recycling revenue while reducing the operating costs of the transfer station. The funding of this capital plan is budgeted using the following funding sources: 90.2% from bonds or leases, 6.6% from taxes and other capital contributions, and 3.2% from trusts and capital. The value of investment in these capital assets is nearly three times as much as the Town's annual depreciation of governmental assets reflecting a solid commitment to reinvest annually in its infrastructure taking advantage of lower costs and borrowing rates.

The adopted 2013 business-type activities portion of the Capital Improvement plan totals \$.83 million. Investments are \$.55 million water and wastewater infrastructure which includes \$.25 million for a new booster station that will comply with EPA regulations, \$.27 for vehicles and equipment replacements and \$.01 million for facility improvements. The funding of the capital plan is budgeted using the following funding sources: 62.7% user fees and 37.3% from bonds or leases. The 2013-budgeted investment in capital assets in business activities also surpasses annual depreciation of \$.68 million that reflects solid reinvestment planning for maintaining infrastructure.

Management continues to seek ways to generate efficiencies in order to sustain service quality to the residents as personnel cost continue to rise, especially those related to health and retirement. The continued national and local economic downturn also added pressure to sustaining the current service level. Although the 2013 budget removed two full-time positions, two of the positions eliminated were those added in 2012 to increase capacity in fire dispatch for a potential new service area that did not materialize.

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 had increased 19% during the same period. Following national trends primarily due to the ongoing 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%. In 2011, home prices fell 6.25% compared to 2010 averages but overall sales volume increased 1.8%. Data available for the first eight months of 2012 showed the overall median purchase price as of August 2012 for all homes declined .60% since December 2011. Compared to the same period in 2011, overall sales volume increased 18%. As of April 1, 2012, the assessed

value of property in Derry is 97.7% of market value according to the state's equalization ratio study of the New Hampshire Department of Revenue.

Based on 2011 statistics reported by the New Hampshire Business Review, the State of NH's per capita annual income (\$45,881) increased 5.3% over 2010 and exceeded the national level by more than 10%. The state remained ranked as having the ninth highest per capita income in the nation. While Derry's per capita income is lower than the state level, this statistic is impacted by Derry's higher than average population under the age of 19 – 28%. Our median household income, a more reasonable measure to our community, of \$63,526, is slightly higher than the state average.

The unemployment rate (seasonally adjusted) in Derry at June 30, 2012 was 6.5%, an increase from 5.5% at June 30, 2011. Derry residents continue to fare better than the national average of 8.2% but the rate remains higher than the overall state rate of 5.4%. A slight reduction in the Derry rate to 6.3% occurred during the July–September 2012 period. Recent openings of commercial businesses located in the Route 28 Corridor TIF district may help to lower the local unemployment rate, but overall, the slow recovery of the economy nationwide is affecting the unemployment rate.

The town fared well through Hurricane Sandy that affected a wide range of the east coast of the United States with minimal damage incurred in our community. The Town qualified for emergency preparedness measures reimbursement by FEMA.

The Route 28 TIF roadway project is substantially complete in regard to widening, paving and striping of the roadway making the area more accessible and enticing for new business.

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.



New South Avenue Bridge Completed

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TOWN OF DERRY, NEW HAMPSHIRE

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Governmental Activities	Business- Type Activities	Government Wide Total
ASSETS			
Current:			
Cash and cash equivalents	\$ 51,831,001	\$ -	\$ 51,831,001
Investments	9,780,265	502,579	10,282,844
Taxes receivable	8,213,032	-	8,213,032
Accounts receivable, net	131,449	685,392	816,841
Due from other governments	218,465	19,112	237,577
Internal balances	(2,561,310)	2,561,310	-
Prepaid items	74,858	11,502	86,360
Total current assets	<u>67,687,760</u>	<u>3,779,895</u>	<u>71,467,655</u>
Noncurrent:			
Accounts receivable, net	-	261,116	261,116
Due from other governments	180,154	858,403	1,038,557
Capital assets:			
Non-depreciable capital assets	90,265,900	938,472	91,204,372
Depreciable capital assets, net	<u>24,823,735</u>	<u>28,571,713</u>	<u>53,395,448</u>
Total non-current assets	<u>115,269,789</u>	<u>30,629,704</u>	<u>145,899,493</u>
TOTAL ASSETS	<u>182,957,549</u>	<u>34,409,599</u>	<u>217,367,148</u>
LIABILITIES			
Current:			
Accounts payable	1,261,801	135,816	1,397,617
Accrued expenses	656,134	18,944	675,078
Unearned revenue	34,078,809	-	34,078,809
Deposits payable	5,981	-	5,981
Due to other governments	3,062	-	3,062
Other liabilities	141,350	-	141,350
Current portion of long-term liabilities:			
General obligation bonds payable	510,000	571,078	1,081,078
Tax increment financing bonds payable	80,000	-	80,000
Capital leases payable	298,277	-	298,277
Compensated absences	709,270	27,650	736,920
Estimated liability for landfill postclosure care costs	13,255	-	13,255
Other	<u>3,997</u>	<u>1,298</u>	<u>5,295</u>
Total current liabilities	<u>37,761,936</u>	<u>754,786</u>	<u>38,516,722</u>
Noncurrent:			
General obligation bonds payable	3,940,000	2,915,000	6,855,000
Tax increment financing bonds payable	5,000,000	-	5,000,000
Capital leases payable	538,009	-	538,009
Compensated absences	3,102,280	120,954	3,223,234
Other post-employment benefits payable	3,651,773	329,715	3,981,488
Estimated liability for landfill postclosure care costs	49,222	-	49,222
Other	<u>58,869</u>	<u>7,789</u>	<u>66,658</u>
Total non-current liabilities	<u>16,340,153</u>	<u>3,373,458</u>	<u>19,713,611</u>
TOTAL LIABILITIES	<u>54,102,089</u>	<u>4,128,244</u>	<u>58,230,333</u>
NET ASSETS			
Invested in capital assets, net of related debt	106,678,601	26,024,107	132,702,708
Restricted for:			
Endowments - permanently restricted	5,123,754	-	5,123,754
Permanent funds - spendable	831,210	-	831,210
Conservation	443,219	-	443,219
Economic development	143,431	-	143,431
Fire district	462,186	-	462,186
Unrestricted	<u>15,173,059</u>	<u>4,257,248</u>	<u>19,430,307</u>
TOTAL NET ASSETS	<u>128,855,460</u>	<u>30,281,355</u>	<u>159,136,815</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 182,957,549</u>	<u>\$ 34,409,599</u>	<u>\$ 217,367,148</u>

See notes to financial statements.

TOWN OF DERRY, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities:				
General government	\$ 5,241,472	\$ 125,387	\$ 7,209	\$ -
Public safety	20,088,167	1,410,038	681,064	33,719
Highways and streets	4,039,962	92,982	682,217	1,296,484
Health and welfare	643,871	27,927	76,440	-
Sanitation	1,634,394	508,259	-	-
Culture and recreation	3,351,764	199,406	445	-
Conservation	9,120	-	-	-
Economic development	247,523	-	-	-
Interest on long-term debt	386,000	-	-	-
	<u>35,642,273</u>	<u>2,363,999</u>	<u>1,447,375</u>	<u>1,330,203</u>
Total Governmental Activities	35,642,273	2,363,999	1,447,375	1,330,203
Business-Type Activities:				
Water	2,313,232	2,533,351	19,111	96,909
Sewer	1,937,795	2,071,417	69,292	67,500
	<u>4,251,027</u>	<u>4,604,768</u>	<u>88,403</u>	<u>164,409</u>
Total Business-Type Activities	4,251,027	4,604,768	88,403	164,409
Total primary government	<u>\$ 39,893,300</u>	<u>\$ 6,968,767</u>	<u>\$ 1,535,778</u>	<u>\$ 1,494,612</u>

General Revenues:

Property and other taxes
 Motor vehicle registration and other taxes
 Grants and contributions not restricted to specific programs
 Interest and investment earnings
 Miscellaneous
 Transfers, net

Total general revenues and transfers

Change in Net Assets

Net Assets:

Beginning of year

End of year

Net (Expenses) Revenues and Changes in Net Assets		
Governmental Activities	Business- Type Activities	Total
\$ (5,108,876)	\$ -	\$ (5,108,876)
(17,963,346)	-	(17,963,346)
(1,968,279)	-	(1,968,279)
(539,504)	-	(539,504)
(1,126,135)	-	(1,126,135)
(3,151,913)	-	(3,151,913)
(9,120)	-	(9,120)
(247,523)	-	(247,523)
<u>(386,000)</u>	<u>-</u>	<u>(386,000)</u>
(30,500,696)	-	(30,500,696)
-	336,139	336,139
<u>-</u>	<u>270,414</u>	<u>270,414</u>
-	606,553	606,553
<u>(30,500,696)</u>	<u>606,553</u>	<u>(29,894,143)</u>
23,668,700	-	23,668,700
4,899,562	-	4,899,562
1,542,507	-	1,542,507
471,109	17,884	488,993
917,755	133,363	1,051,118
<u>(14,629)</u>	<u>14,629</u>	<u>-</u>
<u>31,485,004</u>	<u>165,876</u>	<u>31,650,880</u>
984,308	772,429	1,756,737
<u>127,871,152</u>	<u>29,508,926</u>	<u>157,380,078</u>
<u>\$ 128,855,460</u>	<u>\$ 30,281,355</u>	<u>\$ 159,136,815</u>

TOWN OF DERRY, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2012

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 51,704,727	\$ 126,274	\$ 51,831,001
Investments	3,460,761	6,319,504	9,780,265
Taxes receivable	8,182,882	30,150	8,213,032
Accounts receivable, net	50,538	80,912	131,450
Due from other governments	167,999	230,620	398,619
Due from other funds	-	3,871,975	3,871,975
Prepaid items	<u>74,168</u>	<u>690</u>	<u>74,858</u>
TOTAL ASSETS	<u>\$ 63,641,075</u>	<u>\$ 10,660,125</u>	<u>\$ 74,301,200</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 806,201	\$ 455,601	\$ 1,261,802
Accrued expenditures	543,286	-	543,286
Unearned revenue	34,078,809	-	34,078,809
Deferred revenue	1,886,982	30,150	1,917,132
Deposits payable	-	5,980	5,980
Due to other governments	3,062	-	3,062
Due to other funds	6,432,514	771	6,433,285
Other liabilities	<u>141,350</u>	<u>-</u>	<u>141,350</u>
TOTAL LIABILITIES	43,892,204	492,502	44,384,706
Fund Balances:			
Nonspendable	74,168	5,304,598	5,378,766
Restricted	571,271	3,287,736	3,859,007
Committed	5,203,971	1,575,289	6,779,260
Assigned	1,092,965	-	1,092,965
Unassigned	<u>12,806,496</u>	<u>-</u>	<u>12,806,496</u>
TOTAL FUND BALANCES	<u>19,748,871</u>	<u>10,167,623</u>	<u>29,916,494</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 63,641,075</u>	<u>\$ 10,660,125</u>	<u>\$ 74,301,200</u>

See notes to financial statements.

TOWN OF DERRY, NEW HAMPSHIRE

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

JUNE 30, 2012

Total governmental fund balances	\$ 29,916,494
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	115,089,635
• Property taxes and other revenues are recognized on an accrual basis in the statement of net assets, not the modified accrual basis	1,917,131
• Long-term liabilities, including bonds payable and net OPEB obligation, are not due and payable in the current period and, therefore, are not reported in the governmental funds. Long-term liabilities at year end consist of:	
General obligation bonds payable	(4,450,000)
Tax increment financing bonds payable	(5,080,000)
Capital leases payable	(836,286)
Accrued interest on long-term obligations	(112,848)
Estimated liability for landfill postclosure care costs	(62,477)
Other post-employment benefits payable	(3,651,773)
Compensated absences payable	(3,811,550)
Other	<u>(62,866)</u>
Net assets of governmental activities	\$ <u>128,855,460</u>

See notes to financial statements.

TOWN OF DERRY, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2012

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 23,603,288	\$ 7,500	\$ 23,610,788
Licenses and permits	4,870,930	319,834	5,190,764
Intergovernmental	2,715,167	962,200	3,677,367
Charges for services	2,058,598	14,198	2,072,796
Interest and investment income	208,213	262,895	471,108
Contributions	-	424,077	424,077
Miscellaneous	449,366	140,930	590,296
Total Revenues	<u>33,905,562</u>	<u>2,131,634</u>	<u>36,037,196</u>
Expenditures:			
Current operations:			
General government	4,704,886	214,377	4,919,263
Public safety	18,408,343	184,466	18,592,809
Highways and streets	3,885,654	172	3,885,826
Health and welfare	526,706	77,334	604,040
Sanitation	1,576,083	216	1,576,299
Culture and recreation	2,722,934	196,001	2,918,935
Conservation	6,320	2,800	9,120
Economic development	172,481	-	172,481
Capital outlay	483,553	1,797,700	2,281,253
Debt service:			
Principal retirement	937,612	-	937,612
Interest and fiscal charges	379,504	-	379,504
Intergovernmental	-	10,369	10,369
Total Expenditures	<u>33,804,076</u>	<u>2,483,435</u>	<u>36,287,511</u>
Excess (deficiency) of revenues over expenditures	101,486	(351,801)	(250,315)
Other Financing Sources (Uses):			
Issuance of notes	1,367,285	2,032,715	3,400,000
Proceeds from sale of capital assets	294,416	-	294,416
Capital leases	367,654	-	367,654
Transfers in	1,160,549	128,546	1,289,095
Transfers out	(335,145)	(968,579)	(1,303,724)
Total Other Financing Sources (Uses)	<u>2,854,759</u>	<u>1,192,682</u>	<u>4,047,441</u>
Change in fund balance	2,956,245	840,881	3,797,126
Fund Balance at beginning of year	<u>16,792,626</u>	<u>9,326,742</u>	<u>26,119,368</u>
Fund Balance at end of year	<u>\$ 19,748,871</u>	<u>\$ 10,167,623</u>	<u>\$ 29,916,494</u>

See notes to 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, 2012

NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 3,797,126

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 and reported as depreciation expense.

Capital asset purchases	2,281,253
Depreciation	(1,859,017)

- 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. (122,074)

- Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 75,188

- Revenues in the Statement of Activities that represent donated capital assets and are not reported as revenues in the funds. 712,800

- Issuance of tax increment financing district bonds is an other financing source on governmental funds, but is reported in long-term liabilities in the statement of net assets. (3,400,000)

- 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. 937,612

- Capital lease issues are other financing sources in the governmental funds, but the capital lease issues increase long-term liabilities in the statement of net assets. (367,654)

- In the statement of activities, interest is accrued on outstanding bonds and capital leases, whereas in governmental funds, an interest expenditure is reported when done. (6,594)

- Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore, are not reported as expenditures in governmental funds.

Compensated absences	32,387
Other post-employment benefits	(1,049,313)
Estimated liability for landfill post-closure care costs	11,769
Other	<u>(59,175)</u>

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES **\$ 984,308**

See notes to financial statements.

TOWN OF DERRY, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues and Other Sources:				
Taxes	\$ 23,225,704	\$ 23,225,702	\$ 23,603,288	\$ 377,586
Licenses and permits	4,773,828	4,773,828	4,870,930	97,102
Intergovernmental	3,282,173	3,282,175	2,651,255	(630,920)
Charges for services	2,284,053	2,284,053	2,057,848	(226,205)
Interest and investment income	101,000	101,000	205,796	104,796
Miscellaneous	293,824	293,824	645,356	351,532
Use of fund balance	556,851	836,851	836,851	-
Proceeds from sale of capital assets	38,725	38,725	101,592	62,867
Issuance of capital leases	481,000	481,000	367,654	(113,346)
Transfers in	787,795	851,173	897,046	45,873
	<u>35,824,953</u>	<u>36,168,331</u>	<u>36,237,616</u>	<u>69,285</u>
Expenditures and Other Uses:				
Prevention and emergency services	10,657,937	10,821,937	10,463,894	358,043
Emergency management	61,838	61,838	37,660	24,178
Police and animal control	8,568,591	8,676,591	8,217,832	458,759
Executive	1,202,998	1,202,998	1,183,319	19,679
Finance	4,673,927	4,401,927	3,963,974	437,953
Town clerk and elections	172,498	172,498	160,741	11,757
Libraries	1,281,818	1,281,818	1,281,346	472
Planning	260,422	260,422	248,290	12,132
Tax increment financing district	153,000	153,000	46,919	106,081
Public works	8,791,924	9,135,302	8,812,178	323,124
	<u>35,824,953</u>	<u>36,168,331</u>	<u>34,416,153</u>	<u>1,752,178</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>1,821,463</u></u>	\$ <u><u>1,821,463</u></u>

See notes to financial statements.

TOWN OF DERRY, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET ASSETS

JUNE 30, 2012

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>ASSETS</u>			
Current:			
Investments	\$ 17,950	\$ 484,629	\$ 502,579
Accounts receivable, net	317,339	368,053	685,392
Due from other governments	19,112	-	19,112
Due from other funds	1,931,640	629,670	2,561,310
Prepaid items	4,546	6,956	11,502
Total current assets	2,290,587	1,489,308	3,779,895
Noncurrent:			
Accounts receivable, net	170,034	91,082	261,116
Due from other governments	-	858,403	858,403
Non-depreciable capital assets	333,177	605,295	938,472
Depreciable capital assets, net	10,241,587	18,330,126	28,571,713
Total noncurrent assets	10,744,798	19,884,906	30,629,704
TOTAL ASSETS	\$ 13,035,385	\$ 21,374,214	\$ 34,409,599
<u>LIABILITIES</u>			
Current:			
Accounts payable	\$ 93,845	\$ 41,971	\$ 135,816
Accrued expenses	6,521	12,423	18,944
Current portion of long-term liabilities:			
Bonds payable	50,000	521,078	571,078
Compensated absences	13,825	13,825	27,650
Other	1,298	-	1,298
Total current liabilities	165,489	589,297	754,786
Noncurrent:			
Bonds payable	300,000	2,615,000	2,915,000
Compensated absences	60,477	60,477	120,954
Other post-employment benefits payable	207,716	121,999	329,715
Other	7,789	-	7,789
Total noncurrent liabilities	575,982	2,797,476	3,373,458
TOTAL LIABILITIES	741,471	3,386,773	4,128,244
<u>NET ASSETS</u>			
Invested in capital assets, net of related debt	10,224,764	15,799,343	26,024,107
Unrestricted	2,069,150	2,188,098	4,257,248
TOTAL NET ASSETS	12,293,914	17,987,441	30,281,355
TOTAL LIABILITIES AND NET ASSETS	\$ 13,035,385	\$ 21,374,214	\$ 34,409,599

See notes to financial statements.

TOWN OF DERRY, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS

FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues:			
Charges for services	\$ 2,533,351	\$ 2,071,417	\$ 4,604,768
Miscellaneous	<u>16,147</u>	<u>76,390</u>	<u>92,537</u>
Total Operating Revenues	2,549,498	2,147,807	4,697,305
Operating Expenses:			
Personnel services	875,157	847,599	1,722,756
Repairs and maintenance	231,275	97,509	328,784
Materials and supplies	86,823	51,419	138,242
Utilities	823,732	253,409	1,077,141
Depreciation	215,611	463,015	678,626
Miscellaneous	<u>62,761</u>	<u>87,581</u>	<u>150,342</u>
Total Operating Expenses	<u>2,295,359</u>	<u>1,800,532</u>	<u>4,095,891</u>
Operating Income	254,139	347,275	601,414
Nonoperating Revenues (Expenses):			
Interest revenue	11,543	6,341	17,884
Intergovernmental revenue	19,111	69,292	88,403
Other revenue	13,459	-	13,459
Interest expense	(17,873)	(137,263)	(155,136)
Gain on sale of assets	<u>1</u>	<u>27,366</u>	<u>27,367</u>
Total Nonoperating Revenues (Expenses), Net	<u>26,241</u>	<u>(34,264)</u>	<u>(8,023)</u>
Income Before Capital Contributions and Transfers	280,380	313,011	593,391
Capital contributions	96,909	67,500	164,409
Transfers in from other funds	<u>7,848</u>	<u>6,781</u>	<u>14,629</u>
Change in Net Assets	385,137	387,292	772,429
Net Assets at Beginning of Year	<u>11,908,777</u>	<u>17,600,149</u>	<u>29,508,926</u>
Net Assets at End of Year	<u>\$ 12,293,914</u>	<u>\$ 17,987,441</u>	<u>\$ 30,281,355</u>

See notes to financial statements.

TOWN OF DERRY, NEW HAMPSHIRE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2012

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Cash received from customers	\$ 2,490,253	\$ 2,058,476	\$ 4,548,729
Other operating cash receipts	16,147	76,389	92,536
Cash paid for interfund services provided	(56,327)	(133,967)	(190,294)
Cash paid to suppliers	(1,243,063)	(497,383)	(1,740,446)
Cash paid to employees	(812,625)	(805,765)	(1,618,390)
Net Cash Provided By Operating Activities	394,385	697,750	1,092,135
<u>Cash Flows From Noncapital Financing Activities:</u>			
Transfers from other funds	7,848	6,781	14,629
Net Cash Provided By Noncapital Financing Activities	7,848	6,781	14,629
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Capital contributions	96,909	67,500	164,409
Purchases of capital assets	(452,390)	(114,407)	(566,797)
Principal paid on bonds payable	(50,000)	(513,652)	(563,652)
Proceeds from debt refinancing and other	12,160	-	12,160
Interest paid on long-term debt	(17,873)	(137,263)	(155,136)
Net Cash (Used For) Capital and Related Financing Activities	(411,194)	(697,822)	(1,109,016)
<u>Cash Flows From Investing Activities:</u>			
Purchase of investments	(2,582)	(13,050)	(15,632)
Interest on investments	11,543	6,341	17,884
Net Cash Provided By (Used for) Investing Activities	8,961	(6,709)	2,252
Cash and cash equivalents at beginning of year	-	-	-
Cash and cash equivalents at end of year	\$ -	\$ -	\$ -
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>			
Operating income	\$ 254,139	\$ 347,275	\$ 601,414
Adjustments to reconcile operating income to net cash provided by (used for) operating activities:			
Depreciation expense	215,611	463,015	678,626
Changes in assets and liabilities:			
Accounts receivable, net	(43,099)	(12,943)	(56,042)
Due from other funds	(56,327)	(133,967)	(190,294)
Prepaid items	602	(208)	394
Accounts payable	(17,172)	(976)	(18,148)
Accrued expenses	(876)	(6,280)	(7,156)
Retainage payable	(21,025)	-	(21,025)
Compensated absences	(3,852)	(3,852)	(7,704)
Other post-employment benefits	66,384	45,686	112,070
Net Cash Provided By Operating Activities	\$ 394,385	\$ 697,750	\$ 1,092,135

See notes to financial statements.

TOWN OF DERRY, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET ASSETS
 JUNE 30, 2012

	Private Purpose Trust Funds	Agency Funds
<u>ASSETS</u>		
Cash and cash equivalents	\$ -	\$ 355,949
Investments	<u>368,821</u>	<u>362,179</u>
Total Assets	<u>\$ 368,821</u>	<u>\$ 718,128</u>
<u>LIABILITIES</u>		
Due to other governments	\$ -	\$ 362,179
Deposits held for others	<u>-</u>	<u>355,949</u>
Total Liabilities	-	718,128
<u>NET ASSETS</u>		
Held in trust	<u>368,821</u>	<u>-</u>
Total Liabilities and Net Assets	<u>\$ 368,821</u>	<u>\$ 718,128</u>

See notes to financial statements.

TOWN OF DERRY, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
 FOR THE YEAR ENDED JUNE 30, 2012

	Private Purpose Trust <u>Funds</u>
Additions:	
Investment earnings:	
Investment income	\$ 17,851
Net increase in the fair value of investments	<u>(2,097)</u>
Total investment earnings	15,754
Less investment expense	<u>(1,452)</u>
Net Investment Earnings	14,302
 Deductions:	
Benefits	<u>9,603</u>
Total deductions	<u>9,603</u>
Change in Net Assets	4,699
 Net assets held in trust:	
Beginning of year	<u>364,122</u>
End of year	<u>\$ 368,821</u>

See notes to financial statements.

TOWN OF DERRY, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The government is a municipal corporation governed by an elected Town Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2012, it was determined that no entities met the required GASB 39 criteria of component units.

The Town of Derry, New Hampshire (the Town) was incorporated in 1827. In March of 1993, the voters of the Town adopted a 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.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Changes in Net Assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. However, internal eliminations do not include services provided to Town departments. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or

segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989 generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

The government reports the following 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 wastewater treatment and disposal sanitation operations.

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

D. Cash and Short-Term Investments

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

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

For purpose of the Statement of Cash Flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

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

F. Interfund Receivables and Payables

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

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate the portion not available for appropriation and not available as expendable financial resources.

Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

G. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2012 are recorded as prepaid items. Prepaid items are recognized using the consumption method.

H. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

I. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, (for enterprise funds only) and intangibles are reported in the applicable

governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The 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.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	10 - 50
Equipment and vehicles	5 - 10
Infrastructure and other assets	20 - 50
Temporary easements	1 - 5
Software	5 - 7

J. Compensated Absences

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

K. Long-Term Obligations

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

L. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net assets”.

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

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

- 1) Nonspendable funds are either unspendable in the current form (\$74,858 for prepaid items and \$180,154 for a noncurrent receivable as of June 30, 2012) or can never be spent (\$5,123,754 for parks and playgrounds, perpetual care, and other principal portions of permanent funds as of June 30, 2012).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., the Town meeting). Subsequent Town Meeting action is necessary to modify or rescind a fund balance commitment.
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent fiscal year. The Town follows an informal policy that permits management to assign fund balance amounts to a specific purpose, although fund balance to be applied against a subsequent year’s budget is voted by Town Meeting.
- 5) Unassigned funds are available to be spent in future periods.

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

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

assets. Net 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. All other net assets are reported as unrestricted.

M. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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 two 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.

Formal budgetary integration is employed as a management control device during the year for the General Fund.

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

B. Budgetary Basis

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

C. 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.

D. 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.

E. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 33,905,562	\$ 33,804,077
Other financing sources/uses (GAAP Basis)	<u>3,189,904</u>	<u>335,145</u>
Subtotal (GAAP Basis)	37,095,466	34,139,222
Reverse expenditures of prior year appropriation carryforwards	-	(104,499)
To book current year appropriation carryforwards	-	608,542
To record use of fund balance	836,851	
To reverse on-behalf fringe benefits	(63,912)	(63,912)
To reverse issuance of note budgeted in prior years	(1,367,285)	-
To reverse transfers in budgeted in prior years	(644,139)	-
To record use of committed fund balance	380,635	-
To reverse tax increment expenditures and other financing uses for Ash Street Corporate Park	<u>-</u>	<u>(163,200)</u>
Budgetary Basis	<u>\$ 36,237,616</u>	<u>\$ 34,416,153</u>

3. Cash and Investments

A. Custodial Credit Risk

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

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

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

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).

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).

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.

As of June 30, 2012, \$1,851,190 out of the Town's bank balance of \$51,006,277 was exposed to custodial credit risk as uninsured or uncollateralized. The uninsured amount includes \$69,098 invested in state pool.

The Town's investments of \$11,013,844 are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the Town's brokerage firm, which is also Counterparty to these securities. The risk is managed by securities being held in separately identifiable trust accounts.

B. Credit Risk

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

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 total investment portfolio will be invested in a single security type or with a single financial institution, unless 100% collateralized.

Presented below (in thousands) is the actual rating as of year-end for each investment of the Town (All federal agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year-end</u>			
			<u>Aaa</u>	<u>A1-Aa3</u>	<u>A-A3</u>	<u>Baa-Baa3</u>
Corporate bonds	\$ 2,868,027	\$ -	\$ 630,966	\$ 803,048	\$ 1,175,891	\$ 258,122
Corporate equities	2,455,901	2,455,901	-	-	-	-
Certificates of deposit	245,000	245,000	-	-	-	-
Federal agency securities	<u>5,444,916</u>	<u>-</u>	<u>5,444,916</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 11,013,844</u>	<u>\$ 2,700,901</u>	<u>\$ 6,075,882</u>	<u>\$ 803,048</u>	<u>\$ 1,175,891</u>	<u>\$ 258,122</u>

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. There are no investments in any one issuer that represent 5% or more of total investments.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits

investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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.

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.

Not more than 5% of the Town's investment portfolio, other than Trust fund investments, 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 as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Less Than 1</u>	<u>Investment Maturities (in Years)</u>		
			<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Debt-related Securities:					
Corporate bonds	\$ 2,868,027	\$ 544,925	\$ 1,204,571	\$ 975,129	\$ 143,402
Federal agency securities	<u>5,444,915</u>	<u>1,903,040</u>	<u>3,201,082</u>	<u>297,102</u>	<u>43,691</u>
Total	<u>\$ 8,312,942</u>	<u>\$ 2,447,965</u>	<u>\$ 4,405,653</u>	<u>\$ 1,272,231</u>	<u>\$ 187,093</u>

E. Foreign Currency Risk

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

4. Taxes Receivable

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied. Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town, after annually reviewing delinquent accounts and making recommendations to the Town Council, records the asset at a value including all the delinquent accounts, recording costs and accrued interest. The accounts that

are liened by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Taxes receivable at June 30, 2012 consist of the following (in thousands):

Real Estate 2012	\$ 6,204
Tax Liens, net of allowance	<u>2,009</u>
Total	<u>\$ 8,213</u>

Taxes Collected for Others

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

5. Allowance for Doubtful Accounts

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

	<u>Governmental</u>
Property taxes	\$ 400
Other accounts receivable	1,088
Business-type accounts receivable	10

6. Due From Other Governments

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2012.

7. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2012 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Governmental Funds:		
Major Fund:		
General fund	\$ -	\$ 6,432,514
Nonmajor Funds:		
Special Revenue Funds:		
Derry Public Library	28,134	-
Taylor Public Library	123,454	-
Cable Television	376,720	-
Conservation Commission	446,019	-
Public Health	-	771
Public Safety Grants	83,861	-
Miscellaneous Grants	25,213	-
Waste Tire Reclamation	6,393	-
Transportation Improvement	9,396	-
Capital Project Funds:		
Bridge Improvements	595,782	-
Route 28 TIF	2,116,403	-
Recreation Facility	60,000	-
Permanent Funds:		
General Cemetery Care	<u>600</u>	<u>-</u>
Subtotal Nonmajor Funds	<u>3,871,975</u>	<u>771</u>
Total Governmental Funds	<u>\$ 3,871,975</u>	<u>\$ 6,433,285</u>
Business-Type Activities:		
Water Fund	\$ 1,931,640	\$ -
Sewer Fund	<u>629,670</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 2,561,310</u>	<u>\$ -</u>
Grand Total	<u>\$ 6,433,285</u>	<u>\$ 6,433,285</u>

The government reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2012.

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 1,160,549	\$ 335,145
Nonmajor Funds:		
Special Revenue Funds:		
Derry Public Library	496	-
Taylor Public Library	2,063	-
Public Safety Grants	697	-
Miscellaneous Grants	10,724	-
Emergency Management	-	25,056
Waste Tire Reclamation	52,574	-
Transportation Improvement	1,231	-
Capital Project Funds:		
Crystal/Broadway Reconstruction	-	63,378
Bridge Improvements	-	372,049
Route 28 TIF	-	-
Recreation Facility	60,000	-
Rail Trail	-	332,092
Public Safety	761	-
Permanent Funds:		
General Cemetery Care	-	61,050
Parks and Playgrounds	-	108,396
Libraries	-	2,558
Human Services	-	4,000
Subtotal Nonmajor Funds	<u>128,546</u>	<u>968,579</u>
Total Governmental Funds	<u>\$ 1,289,095</u>	<u>\$ 1,303,724</u>
Business-Type Activities:		
Water Fund	\$ 7,848	\$ -
Sewer Fund	<u>6,781</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 14,629</u>	<u>\$ -</u>
Grand Total	<u>\$ 1,303,724</u>	<u>\$ 1,303,724</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

8. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 6,867	\$ -	\$ (3)	\$ 6,864
Infrastructure and other assets	76,817	903	(119)	77,601
Construction in progress	3,346	1,724	(1,876)	3,194
Intangibles	<u>2,238</u>	<u>369</u>	<u>-</u>	<u>2,607</u>
Total capital assets, not being depreciated	89,268	2,996	(1,998)	90,266
Other capital assets:				
Buildings and improvements	18,533	321	-	18,854
Equipment and vehicles	11,514	461	(88)	11,887
Infrastructure and other assets	9,940	1,092	(2)	11,030
Intangibles	<u>660</u>	<u>-</u>	<u>-</u>	<u>660</u>
Total other capital assets at historical cost	<u>40,647</u>	<u>1,874</u>	<u>(90)</u>	<u>42,431</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,200)	(504)	-	(5,704)
Equipment and vehicles	(7,226)	(965)	88	(8,103)
Infrastructure and other assets	(2,859)	(355)	2	(3,212)
Intangibles	<u>(553)</u>	<u>(35)</u>	<u>-</u>	<u>(588)</u>
Total accumulated depreciation	<u>(15,838)</u>	<u>(1,859)</u>	<u>90</u>	<u>(17,607)</u>
Total other capital assets, net	<u>24,809</u>	<u>15</u>	<u>-</u>	<u>24,824</u>
Total capital assets, net	<u>\$ 114,077</u>	<u>\$ 3,011</u>	<u>\$ (1,998)</u>	<u>\$ 115,090</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 202	\$ -	\$ -	\$ 202
Construction in progress	28	389	(264)	153
Intangibles	<u>583</u>	<u>-</u>	<u>-</u>	<u>583</u>
Total capital assets, not being depreciated	813	389	(264)	938
Other capital assets:				
Buildings and improvements	149	-	-	149
Equipment and vehicles	739	102	(34)	807
Infrastructure	<u>41,466</u>	<u>368</u>	<u>-</u>	<u>41,834</u>
Total other capital assets at historical cost	<u>42,354</u>	<u>470</u>	<u>(34)</u>	<u>42,790</u>
Less accumulated depreciation for:				
Buildings and improvements	(29)	(4)	-	(33)
Equipment and vehicles	(528)	(38)	34	(532)
Infrastructure and other assets	<u>(13,016)</u>	<u>(636)</u>	<u>-</u>	<u>(13,652)</u>
Total accumulated depreciation	<u>(13,573)</u>	<u>(678)</u>	<u>34</u>	<u>(14,217)</u>
Total other capital assets, net	<u>28,781</u>	<u>(208)</u>	<u>-</u>	<u>28,573</u>
Total capital assets, net	<u>\$ 29,594</u>	<u>\$ 181</u>	<u>\$ (264)</u>	<u>\$ 29,511</u>

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

Governmental Activities:	
General government	\$ 423
Public safety	787
Highway	268
Health and welfare	10
Sanitation	43
Culture and recreation	<u>328</u>
Total depreciation expense - governmental activities	<u>\$ 1,859</u>
Business-Type Activities:	
Water	\$ 216
Sewer	<u>463</u>
Total depreciation expense - business-type activities	<u>\$ 679</u>

9. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent 2012 expenditures paid after June 30, 2012.

10. Deferred Revenue

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period.

The balance of the General Fund *deferred revenues* account is equal to the total of all June 30, 2012 receivable balances, except property taxes that are accrued for subsequent 60-day collections.

11. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2013. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2012:

	<u>Governmental</u>
2013	\$ 322,032
2014	194,224
2015	194,223
2016	104,243
2017	<u>76,719</u>
Total minimum lease payments	891,441
Less amounts representing interest	<u>(55,155)</u>
Present Value of Minimum Lease Payments	<u><u>\$ 836,286</u></u>

12. Long-Term Debt

A. Long-Term Debt Supporting Governmental Activities

General obligation bonds, issued by the Town for various municipal improvements, are approved by the voters and repaid with property taxes recorded in the General Fund. These bonds are required to be fully paid within 20 years from the date of issue and are backed by the full faith and credit of the Town. The Town's borrowing capacity is restrained by State law. Compensated absences are repaid from the funds that the costs relate to, mostly general fund, and also water and sewer funds.

B. General Obligation Bonds and Tax Increment Financing Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities.

The Town has pledged a portion of future tax increment financing (TIF) revenues to repay \$2,000,000 in tax increment bonds issued in April 2004 to finance the economic development of Ash Street Corporate Park. The bonds are payable solely from the tax increment financing taxes generated by businesses in the commercial/light industrial park.

The Town has pledged a portion of future tax increment financing (TIF) revenues to repay \$3,400,000 in tax increment bonds issued in November 2011 to finance the road reconstruction within the Route 28 Corridor. The bonds are payable solely from the tax increment financing taxes generated by businesses in the route 28 district between the Londonderry town line and Tsienneto/Folsom Roads.

General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Issued</u>	<u>Amount Outstanding as of 6/30/12</u>
Court House	07/15/15	5.25 - 5.625%	\$ 1,839,710	\$ 360,000
Land Purchase	01/15/19	4.00 - 4.80%	1,735,000	175,000
Humphrey Field House	01/15/20	5.375 - 5.75%	1,890,000	750,000
Humphrey Road Complex	01/15/21	4.75 - 5.25%	489,605	215,000
Municipal Center	02/01/21	4.25 - 5.00%	3,000,000	1,350,000
Municipal Services Infrastructure	03/15/24	3.20 - 4.00%	1,500,000	900,000
Police Station Addition	06/15/26	4.10 - 5.00%	1,000,000	700,000
Total Governmental Activities, excluding TIF:				<u>\$ 4,450,000</u>

<u>Governmental Activities TIF:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Issued</u>	<u>Amount Outstanding as of 6/30/12</u>
Ash Street Corporate Park	04/15/33	4.25 - 5.00%	\$ 2,000,000	\$ 1,680,000
Route 28 Corridor	11/15/31	2.00 - 3.50%	\$ 3,400,000	3,400,000
Total Governmental Activities TIF:				<u>\$ 5,080,000</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Issued</u>	<u>Amount Outstanding as of 6/30/12</u>
Water Fund:				
Water Main Upgrade	08/15/18	3.90 - 5.00%	\$ 1,000,000	\$ 350,000
Sewer Fund:				
Beaver Brook III Interceptor	08/15/12	4.94%	1,075,451	81,842
Horne Brook Interceptor	06/15/13	5.00%	1,244,714	89,236
Upgrade Sewer Lagoons	08/15/13	5.30 - 5.875%	2,358,000	230,000
Wastewater Force Main	05/15/23	2.50 - 3.25%	3,700,000	2,035,000
Wastewater Effluent Upgrade	06/15/26	4.10 - 5.00%	1,000,000	700,000
Total Business-Type Activities:				<u>\$ 3,486,078</u>

C. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2012 are as follows:

<u>Governmental (non-TIF)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 510,000	\$ 206,383	\$ 716,383
2014	510,000	182,620	692,620
2015	510,000	158,726	668,726
2016	510,000	134,475	644,475
2017	420,000	112,475	532,475
2018-2022	1,640,000	273,263	1,913,263
2023-2027	350,000	33,025	383,025
Total	<u>\$ 4,450,000</u>	<u>\$ 1,100,967</u>	<u>\$ 5,550,967</u>

Debt service requirements to retire tax increment financing bonds for governmental activities at June 30, 2012 are as follows:

<u>Governmental TIF</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 80,000	\$ 173,637	\$ 253,637
2014	80,000	170,238	250,238
2015	80,000	166,837	246,837
2016	80,000	163,438	243,438
2017	295,000	157,887	452,887
2018-2022	1,475,000	668,588	2,143,588
2023-2027	1,460,000	436,206	1,896,206
2028-2032	<u>1,530,000</u>	<u>174,825</u>	<u>1,704,825</u>
Total	<u>\$ 5,080,000</u>	<u>\$ 2,111,656</u>	<u>\$ 7,191,656</u>

Debt Service requirements to retire business-type activities bonds payable at June 30, 2012 are as follows:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 571,078	\$ 138,010	\$ 709,088
2014	400,000	112,926	512,926
2015	285,000	98,935	383,935
2016	285,000	88,323	373,323
2017	285,000	77,500	362,500
2018-2022	1,275,000	228,300	1,503,300
2023-2027	<u>385,000</u>	<u>31,425</u>	<u>416,425</u>
Total	<u>\$ 3,486,078</u>	<u>\$ 775,419</u>	<u>\$ 4,261,497</u>

D. Changes in General Long-Term Liabilities

During the year ended June 30, 2012, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/11	Additions	Reductions	Total Balance 6/30/12	Less Current Portion	Equals Long-Term Portion 6/30/12
<u>Governmental Activities</u>						
General obligation						
bonds payable	\$ 4,960	\$ -	\$ (510)	\$ 4,450	\$ (510)	\$ 3,940
Tax increment financing						
bonds payable	1,760	3,400	(80)	5,080	(80)	5,000
Capital leases payable	816	369	(348)	837	(298)	539
Compensated absences	3,844	2,227	(2,259)	3,812	(709)	3,103
Other post-employment						
benefits	2,602	1,351	(302)	3,651	-	3,651
Estimated liability for						
landfill postclosure						
care costs	74	-	(12)	62	(13)	49
Other	3	61	(1)	63	(4)	59
Totals	<u>\$ 14,059</u>	<u>\$ 7,408</u>	<u>\$ (3,512)</u>	<u>\$ 17,955</u>	<u>\$ (1,614)</u>	<u>\$ 16,341</u>

	Total Balance 7/1/11	Additions	Reductions	Total Balance 6/30/12	Less Current Portion	Equals Long-Term Portion 6/30/12
<u>Business-Type Activities</u>						
General obligation						
bonds payable	\$ 4,049	\$ -	\$ (564)	\$ 3,485	\$ (571)	\$ 2,914
Compensated absences	157	111	(118)	150	(28)	122
Other post-employment						
benefits	218	130	(18)	330	-	330
Other	11	-	(2)	9	(1)	8
Totals	<u>\$ 4,435</u>	<u>\$ 241</u>	<u>\$ (702)</u>	<u>\$ 3,974</u>	<u>\$ (600)</u>	<u>\$ 3,374</u>

E. Authorized Unissued Debt

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2012 are as follows:

General obligation bonds:

<u>Purpose</u>	<u>Amount</u>
Exit 4A	\$ 3,261,880
Transfer Station Facility	3,000,000
Rockingham Road Reconstruction	1,000,000
Woodlands Community Water System	250,000
Municipal Water System Improvements	1,968,500
Municipal Wastewater System Improvements	<u>1,975,500</u>
Total	<u>\$ 11,455,880</u>

Tax increment financing bond:

<u>Purpose</u>	<u>Amount</u>
Route 28 Corridor	<u>\$ 500,000</u>

The Town rescinded the \$1,500,000 unutilized portion of the bond resolution adopted on August 25, 2006 for infrastructure improvements for the Route 28 Corridor Tax Increment Finance District on February 7, 2012 by Town Meeting vote. In August 2011, the Town has rescinded the \$600,000 Highway Replacement Garage authorization.

13. Landfill Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. The Town's landfill was closed during the year ended June 30, 1987. The remaining postclosure care costs are reported as a liability in the financial statements in each period based on landfill capacity used as of each balance sheet date.

The \$62,477 reported as landfill postclosure care liability at June 30, 2012 represents that cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. This amount is based on what it would cost if all equipment, facilities, and services to monitor and maintain the landfill were acquired as of June 30, 2012. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

14. Restricted Net Assets

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

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

15. **Governmental Funds - Balances**

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

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

The following types of fund balances are reported at June 30, 2012:

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

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

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

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period. The Town follows an informal policy that permits the Controller with Chief Financial Officer's approval to

assign fund balance amounts to a specific purpose, although fund balance to be applied to a subsequent year's budget is voted by Town Meeting.

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

Following is a breakdown of the Town's fund balances at June 30, 2012:

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable			
Prepaid expenditures	\$ 74,168	\$ 690	\$ 74,858
Noncurrent receivable	-	180,154	180,154
Nonexpendable permanent funds	-	5,123,754	5,123,754
Total Nonexpendable	74,168	5,304,598	5,378,766
Restricted			
Fire district	462,186	-	462,186
Exit 4A	109,085	-	109,085
Bonded projects	-	1,676,984	1,676,984
Special revenue funds	-	779,542	779,542
Expendable permanent funds	-	831,210	831,210
Total Restricted	571,271	3,287,736	3,859,007
Committed			
Ash Street TIF	188,115	-	188,115
Capital reserves	4,872,425	-	4,872,425
Economic development loan	143,431	-	143,431
Cable television	-	457,245	457,245
Conservation commission	-	443,219	443,219
Capital project funds	-	674,825	674,825
Total Committed	5,203,971	1,575,289	6,779,260
Assigned			
Encumbrances	608,542	-	608,542
Next year's expenditures	340,000	-	340,000
Forest management	40,585	-	40,585
Compensated absences	103,562	-	103,562
Farm market	276	-	276
Total Assigned	1,092,965	-	1,092,965
Unassigned	12,806,496	-	12,806,496
Total Fund Balances	\$ 19,748,871	\$ 10,167,623	\$ 29,916,494

16. Subsequent Events

Subsequent to year-end, the Town has entered into the following capital lease agreements:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Woodchipper and Tracked Sidewalk plow	\$ 178,068	2.00%	09/01/12	09/01/17

17. Commitments and Contingencies

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

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

18. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

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

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment health care and life insurance benefits for retired employees through the Town's Single Employer Defined Benefit Plan. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of June 30, 2010, the actuarial valuation date, approximately 141 retirees and 176 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

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

C. Funding Policy

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

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2012 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2012, 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, 2010.

Annual Required Contribution (ARC)	\$ 1,443,911
Interest on net OPEB obligation	141,005
Adjustment to ARC	<u>(103,140)</u>
Annual OPEB cost	1,481,776
Contributions made	<u>(320,393)</u>
Increase in net OPEB obligation	1,161,383
Net OPEB obligation - beginning of year	<u>2,820,105</u>
Net OPEB obligation - end of year	<u>\$ 3,981,488</u>

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

<u>Fiscal year ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2012	\$ 1,481,776	21.6%	\$ 3,981,488
2011	\$ 1,382,055	19.2%	\$ 2,820,105
2010	\$ 1,117,285	21.2%	\$ 1,704,070
2009	\$ 1,041,450	20.9%	\$ 823,605

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2010, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 17,648,536
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 17,648,536</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.0%</u>
Covered payroll (active plan members)	<u>\$ 18,602,453</u>
UAAL as a percentage of covered payroll	<u>94.9%</u>

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

F. Actuarial Methods and Assumptions

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

In the June 30, 2010 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% investment rate of return and an initial annual healthcare cost trend rate of 10% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4.5%.

19. Retirement System

The Town follows the provisions of GASB Statement No. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

A. Plan Description

Full-time employees participate in the State of New Hampshire Retirement System (the System), a cost-sharing multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group, funding policies, vesting requirements, contribution requirements and plan assets available to pay benefits are disclosed in the System's annual report available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

B. Funding Policy

Plan members are required to contribute a percentage of their gross earnings to the pension plan. Contribution rates are 7% for general employees, 11.55% for police, and 11.80% for fire department's employees. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and is 16.62% for police officers for July 2011 and 19.95% for August 2011 to June 2012, 20.08% for fire employees for July 2011 and 22.89% for August 2011 to June 2012, and 11.09% for all other covered employees for July 2011 and 8.80% for August 2011 to June 2012. The Town's contributions to the System for the years ended June 30, 2012, 2011, and 2010 were \$2,782,307, \$2,337,503, and \$2,169,946, respectively, which were equal to its annual required contributions for each of these years.

The payroll for employees covered by the System for the year ended June 30, 2012, was \$16,341,816. Contribution requirements for the year ended June 30, 2012, were as follows:

State of New Hampshire	\$ 63,912
Town	2,782,307
Employees' contributions	<u>1,605,074</u>
Total	\$ <u><u>4,451,293</u></u>

On-behalf payments by the State of New Hampshire were recognized as revenues and expenditures in General Fund during the fiscal year.

20. Risk Management

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

21. Implementation of New GASB Standard

The Governmental Accounting Standards Board (GASB) has issued Statement 68 Accounting and Financial Reporting for Pensions, which is required to be implemented in fiscal year 2015. Management's current assessment is that this pronouncement will have a significant impact on the Town's basic financial statements by recognizing as a liability and expense, the Town's applicable portion of the actuarially accrued liability. The Town is a New Hampshire Retirement System (NHRS) participating employer, and will have to report a proportional share of the retirement system's unfunded liability on their financial statements. GASB 68 revises and establishes new financial reporting requirements for employers participating in cost-sharing, multi-employer plans such as NHRS. The new GASB standards will change the way pension plans report financial information for accounting purposes, but do not require pension plans to change their funding policies, which are typically defined by statute.

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

**June 30, 2012
(Unaudited)**

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
06/30/10	\$ -	\$ 17,648,536	\$ 17,648,536	0.0%	\$ 18,602,453	94.9%
06/30/07	\$ -	\$ 12,270,643	\$ 12,270,643	0.0%	\$ 18,334,303	66.9%

See Independent Auditors' Report.

TOWN OF DERRY, NEW HAMPSHIRE
Required Supplementary Information
Modified Approach for Infrastructure
Capital Assets
For the Year Ended June 30, 2012

<u>Fiscal Year of Assessment</u>	<u>Rating</u>	<u>Condition</u>
2012	75	good
2009	78	good
2006	77	good

Comparison of Estimated to Actual Maintenance/Preservation

<u>Year Ending June 30,</u>	<u>Estimated Costs</u>	<u>Actual Costs</u>
2012	\$ 1,401,837	\$ 1,374,690
2011	1,177,443	1,078,191
2010	1,557,983	1,484,929
2009	1,396,210	1,101,728
2008	1,315,150	1,312,074

**TOWN OF DERRY, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2012**

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:

<u>Condition</u>	<u>Rating</u>	<u>Remedial Action</u>
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 2012, 2009, and 2006 reflected a good PCI rating of 75, 78, and 77, 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, 2012, \$1,401,837 was available via budget and encumbrances for roadway maintenance.

The current PCI of 75 is in line with the council’s goal of preserving the network in the 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, 2012, \$1,374,690 was expended on roadway maintenance.

The Town has expended an average of \$1,237,549 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.

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Route 28 TIF Pavement Reclamation

Combining Financial Statements

NON-MAJOR GOVERNMENTAL FUNDS

SPECIAL REVENUE FUNDS

Special Revenue Funds are established to account for resources obtained and expended for specified purposes and restricted by law or local action.

Special Revenue Funds are established for the following purposes:

- 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.
- 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.
- 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.
- 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.
- 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).
- Public Safety Grants Fund: This fund is used to account for grants and donations received and expenses 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-through funds from Rockingham County for Justice Assistance and New Hampshire Department of Justice, New Hampshire Highway Safety and New Hampshire Fish and Game.
- Miscellaneous Grants Fund: This fund is used to account for various donations or grants received and their related expenditures.
- Emergency Management Fund: This fund is used to account for expenses associated with emergency protective measures for Hurricane Irene in August, 2011 and an October, 2011 snowstorm. Also, debris removal from downed trees were included in

the disaster recovery efforts for the October storm. FEMA reimbursed 75% of eligible costs associated with these two events.

- Waste Tire Reclamation Fund: The Waste 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.
- Transportation Improvement Fund: has been established to collect fees from motor vehicle registrations for the purpose of funding improvements to the Town's roadways.

CAPITAL PROJECT FUNDS

Capital Project Funds are established to account for resources obtained and expended for the acquisition of major capital facilities or equipment other than those employed in the delivery of services accounted for in Enterprise Funds.

The current funds were established for the following purposes:

- Crystal/Broadway Reconstruction Fund: This fund is used for the Town's share of the State of NH managed redesign of the Crystal Avenue and Broadway intersection.
- Bridge Improvements Fund: This fund is used to account for the construction of new bridges on South Avenue, North High Street, Tsienneto Road and Drew Road. The State of New Hampshire reimbursement to the Town is commonly 80% of eligible expenses.
- 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. This project is funded by a combination of bond revenue, grant revenue from New Hampshire Department of Transportation, and contributions from the general fund and a commercial retailer.
- Recreation Facility Fund: This fund is used to account for capital improvements to the Veteran's Hall Recreational Facility.
- 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.
- Public Safety Fund: This fund is used to account for the design and installation of fire sprinkler systems for the Central Fire, Hampstead Road and Island Pond Road fire stations. Assistance to Firefighters grant through FEMA provided funding at 90%.

PERMANENT FUNDS

Permanent Funds are established to account for certain assets held by the Town in a fiduciary capacity as trustee. The following is a description of Town Permanent Funds:

- General Cemetery Care: to account for the East Derry Cemetery and perpetual care.
- Parks and Playgrounds: to account for the MacGregor Pioneer Park upkeep and operations and improvements to Alexander Carr Park.
- Libraries: to account for the Taylor Library's general expenses and Derry Public Library's book, art and musical recordings.
- Highways and Streets: to account for street repair.
- Human Services: to benefit the poor of Derry with emphasis on clothing.

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Route 28 TIF Corridor Improvement to Reduce Traffic Congestion

TOWN OF DERRY, NEW HAMPSHIRE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2012

	Special Revenue Funds			
	Derry Public Library Fund	Taylor Library Fund	Cable Television Fund	Conservation Commission Fund
<u>ASSETS</u>				
Cash and cash equivalents	\$ 496	\$ 350	\$ -	\$ -
Investments	-	-	-	-
Taxes receivable	-	-	-	30,150
Accounts receivable, net	-	-	80,912	-
Due from other governments	-	-	-	-
Due from other funds	28,134	123,454	376,720	446,019
Prepaid items	690	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 29,320</u>	<u>\$ 123,804</u>	<u>\$ 457,632</u>	<u>\$ 476,169</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Accounts payable	\$ 215	\$ -	\$ 387	\$ 2,800
Deferred revenue	-	-	-	30,150
Deposits payable	-	274	-	-
Due to other funds	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	215	274	387	32,950
Fund Balances:				
Nonspendable	690	-	-	-
Restricted	28,415	123,530	-	-
Committed	-	-	457,245	443,219
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total Fund Balances	<u>29,105</u>	<u>123,530</u>	<u>457,245</u>	<u>443,219</u>
Total Liabilities and Fund Balances	<u>\$ 29,320</u>	<u>\$ 123,804</u>	<u>\$ 457,632</u>	<u>\$ 476,169</u>

Special Revenue Funds

Public Health Fund	Public Safety Grants Fund	Miscellaneous Grants Fund
\$ -	\$ -	\$ -
-	-	-
-	-	-
6,720	24,703	-
-	83,861	25,213
-	-	-
<u>6,720</u>	<u>108,564</u>	<u>25,213</u>
<u>\$ 6,720</u>	<u>\$ 108,564</u>	<u>\$ 25,213</u>
\$ 243	\$ 11,900	\$ 637
-	-	-
5,706	-	-
771	-	-
<u>6,720</u>	<u>11,900</u>	<u>637</u>
-	-	-
-	96,664	24,576
-	-	-
<u>6,720</u>	<u>96,664</u>	<u>24,576</u>
<u>\$ 6,720</u>	<u>\$ 108,564</u>	<u>\$ 25,213</u>

(continued)

(continued)

	<u>Special Revenue Funds</u>			
	<u>Emergency Management Fund</u>	<u>Waste Tire Reclamation Fund</u>	<u>Transportation Improvement Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 846
Investments	-	485,200	5,368	490,568
Taxes receivable	-	-	-	30,150
Accounts receivable, net	-	-	-	80,912
Due from other governments	-	-	-	31,423
Due from other funds	-	6,393	9,396	1,099,190
Prepaid items	-	-	-	690
Total Assets	<u>\$ -</u>	<u>\$ 491,593</u>	<u>\$ 14,764</u>	<u>\$ 1,733,779</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 16,182
Deferred revenue	-	-	-	30,150
Deposits payable	-	-	-	5,980
Due to other funds	-	-	-	771
Total Liabilities	-	-	-	53,083
Fund Balances:				
Nonspendable	-	-	-	690
Restricted	-	491,593	14,764	779,542
Committed	-	-	-	900,464
Total Fund Balances	-	491,593	14,764	1,680,696
Total Liabilities and Fund Balances	<u>\$ -</u>	<u>\$ 491,593</u>	<u>\$ 14,764</u>	<u>\$ 1,733,779</u>

Capital Project Funds

Crystal/ Broadway Reconstruction <u>Fund</u>	Bridge Improvements <u>Fund</u>	Route 28 TIF <u>Fund</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	-
19,043	180,154	-
-	595,782	2,116,403
-	-	-
<u>19,043</u>	<u>775,936</u>	<u>2,116,403</u>
<u>\$ 19,043</u>	<u>\$ 775,936</u>	<u>\$ 2,116,403</u>
\$ -	\$ -	\$ 439,419
-	-	-
-	-	-
-	-	-
<u>-</u>	<u>-</u>	<u>439,419</u>
-	-	439,419
-	180,154	-
-	-	1,676,984
19,043	595,782	-
<u>19,043</u>	<u>775,936</u>	<u>1,676,984</u>
<u>19,043</u>	<u>775,936</u>	<u>1,676,984</u>
<u>\$ 19,043</u>	<u>\$ 775,936</u>	<u>\$ 2,116,403</u>

(continued)

(continued)

Capital Project Funds

	Recreation Facility Fund	Rail Trail Fund	Public Safety Fund	Total Nonmajor Capital Projects Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-
Taxes receivable	-	-	-	-
Accounts receivable, net	-	-	-	-
Due from other governments	-	-	-	199,197
Due from other funds	60,000	-	-	2,772,185
Prepaid items	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	\$ <u>60,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,971,382</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 439,419
Deferred revenue	-	-	-	-
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	-	-	-	439,419
Fund Balances:				
Nonspendable	-	-	-	180,154
Restricted	-	-	-	1,676,984
Committed	60,000	-	-	674,825
	<u>60,000</u>	<u>-</u>	<u>-</u>	<u>2,531,963</u>
Total Fund Balances	60,000	-	-	2,531,963
Total Liabilities and Fund Balances	\$ <u>60,000</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,971,382</u>

Permanent Funds

<u>General Cemetery Care</u>	<u>Parks and Playgrounds</u>	<u>Libraries</u>	<u>Highways and Streets</u>	<u>Human Services</u>	<u>Total Nonmajor Permanent Funds</u>	<u>Nonmajor Governmental Funds</u>
\$ -	\$ 125,428	\$ -	\$ -	\$ -	\$ 125,428	\$ 126,274
2,393,894	3,248,194	87,597	43,100	56,151	5,828,936	6,319,504
-	-	-	-	-	-	30,150
-	-	-	-	-	-	80,912
-	-	-	-	-	-	230,620
600	-	-	-	-	600	3,871,975
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>690</u>
<u>\$ 2,394,494</u>	<u>\$ 3,373,622</u>	<u>\$ 87,597</u>	<u>\$ 43,100</u>	<u>\$ 56,151</u>	<u>\$ 5,954,964</u>	<u>\$ 10,660,125</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 455,601
-	-	-	-	-	-	30,150
-	-	-	-	-	-	5,980
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>771</u>
-	-	-	-	-	-	492,502
2,081,411	2,896,123	79,476	26,285	40,459	5,123,754	5,304,598
313,083	477,499	8,121	16,815	15,692	831,210	3,287,736
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,575,289</u>
<u>2,394,494</u>	<u>3,373,622</u>	<u>87,597</u>	<u>43,100</u>	<u>56,151</u>	<u>5,954,964</u>	<u>10,167,623</u>
<u>\$ 2,394,494</u>	<u>\$ 3,373,622</u>	<u>\$ 87,597</u>	<u>\$ 43,100</u>	<u>\$ 56,151</u>	<u>\$ 5,954,964</u>	<u>\$ 10,660,125</u>

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Route 28 TIF District Roadway Widening Improvements

TOWN OF DERRY, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures,
and Changes in Fund Equity

Nonmajor Governmental Funds

For the Year Ended June 30, 2012

	Special Revenue Funds			
	Derry Public Library Fund	Taylor Library Fund	Cable Television Fund	Conservation Commission Fund
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 7,500
Licenses and permits	2,900	-	316,934	-
Intergovernmental	-	445	-	-
Charges for services	1,573	132	111	-
Interest and investment income	264	658	-	2,365
Contributions	-	-	-	-
Miscellaneous	30,358	2,189	86	100,250
Total Revenues	35,095	3,424	317,131	110,115
Expenditures:				
Current:				
General government	-	-	186,033	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Sanitation	-	-	-	-
Culture and recreation	174,519	476	-	-
Conservation	-	-	-	2,800
Capital outlay	34,653	-	29,841	-
Intergovernmental	-	-	10,369	-
Total Expenditures	209,172	476	226,243	2,800
Excess (deficiency) of revenues over expenditures	(174,077)	2,948	90,888	107,315
Other Financing Sources (Uses):				
Issuance of notes	-	-	-	-
Transfers in	496	2,063	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	496	2,063	-	-
Net change in fund balance	(173,581)	5,011	90,888	107,315
Fund balances at beginning of year	202,686	118,519	366,357	335,904
Fund Balances at end of year	\$ 29,105	\$ 123,530	\$ 457,245	\$ 443,219

Special Revenue Funds

Public Health <u>Fund</u>	Public Safety Grants <u>Fund</u>	Miscellaneous Grants <u>Fund</u>
\$ -	\$ -	\$ -
-	-	-
73,680	63,091	-
-	-	12,382
-	396	118
-	-	-
-	<u>3,615</u>	<u>4,432</u>
73,680	67,102	16,932
-	-	18,918
-	71,535	-
-	-	-
73,680	-	3,421
-	-	-
-	-	7,284
-	-	-
-	-	4,287
-	-	-
<u>73,680</u>	<u>71,535</u>	<u>33,910</u>
-	(4,433)	(16,978)
-	-	-
-	697	10,724
-	-	-
<u>-</u>	<u>697</u>	<u>10,724</u>
-	(3,736)	(6,254)
-	100,400	30,830
<u>-</u>	<u>100,400</u>	<u>30,830</u>
<u>\$ -</u>	<u>\$ 96,664</u>	<u>\$ 24,576</u>

(continued)

(continued)

	Special Revenue Funds			
	Emergency Management Fund	Waste Tire Reclamation Fund	Transportation Improvement Fund	Total Nonmajor Special Revenue Funds
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ 7,500
Licenses and permits	-	-	-	319,834
Intergovernmental	137,987	-	-	275,203
Charges for services	-	-	-	14,198
Investment income	-	2,531	63	6,395
Contributions	-	-	-	-
Miscellaneous	-	-	-	140,930
Total Revenues	<u>137,987</u>	<u>2,531</u>	<u>63</u>	<u>764,060</u>
Expenditures:				
Current:				
General government	-	-	-	204,951
Public safety	112,931	-	-	184,466
Highways and streets	-	-	6	6
Health and welfare	-	-	-	77,101
Sanitation	-	216	-	216
Culture and recreation	-	-	-	182,279
Conservation	-	-	-	2,800
Capital outlay	-	-	-	68,781
Intergovernmental	-	-	-	10,369
Total Expenditures	<u>112,931</u>	<u>216</u>	<u>6</u>	<u>730,969</u>
Excess (deficiency) of revenues over expenditures	25,056	2,315	57	33,091
Other Financing Sources (Uses):				
Issuance of notes	-	-	-	-
Transfers in	-	52,574	1,231	67,785
Transfers out	<u>(25,056)</u>	<u>-</u>	<u>-</u>	<u>(25,056)</u>
Total Other Financing Sources (Uses)	<u>(25,056)</u>	<u>52,574</u>	<u>1,231</u>	<u>42,729</u>
Net change in fund balance	-	54,889	1,288	75,820
Fund Equity, beginning	<u>-</u>	<u>436,704</u>	<u>13,476</u>	<u>1,604,876</u>
Fund Equity, ending	<u>\$ -</u>	<u>\$ 491,593</u>	<u>\$ 14,764</u>	<u>\$ 1,680,696</u>

Capital Project Funds

Crystal/ Broadway Reconstruction <u>Fund</u>	Bridge Improvements <u>Fund</u>	Route 28 TIF <u>Fund</u>
\$ -	\$ -	\$ -
-	-	-
-	303,768	350,000
-	-	-
-	-	6,816
-	-	424,077
-	-	-
<hr/>	<hr/>	<hr/>
-	303,768	780,893
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
4,051	288,635	1,136,624
-	-	-
<hr/>	<hr/>	<hr/>
4,051	288,635	1,136,624
(4,051)	15,133	(355,731)
-	-	2,032,715
-	-	-
<u>(63,378)</u>	<u>(372,049)</u>	<u>-</u>
<u>(63,378)</u>	<u>(372,049)</u>	<u>2,032,715</u>
(67,429)	(356,916)	1,676,984
<u>86,472</u>	<u>1,132,852</u>	<u>-</u>
<u>\$ 19,043</u>	<u>\$ 775,936</u>	<u>\$ 1,676,984</u>

(continued)

(continued)

Capital Project Funds

	Recreation Facility Fund	Rail Trail Fund	Public Safety Fund	Total Nonmajor Capital Projects Funds
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	33,229	686,997
Charges for services	-	-	-	-
Investment income	-	-	-	6,816
Contributions	-	-	-	424,077
Miscellaneous	-	-	-	-
Total Revenues	-	-	33,229	1,117,890
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Sanitation	-	-	-	-
Culture and recreation	-	-	-	-
Conservation	-	-	-	-
Capital outlay	-	262,064	37,545	1,728,919
Intergovernmental	-	-	-	-
Total Expenditures	-	262,064	37,545	1,728,919
Excess (deficiency) of revenues over expenditures	-	(262,064)	(4,316)	(611,029)
Other Financing Sources (Uses):				
Issuance of notes	-	-	-	2,032,715
Transfers in	60,000	-	761	60,761
Transfers out	-	(332,092)	-	(767,519)
Total Other Financing Sources (Uses)	60,000	(332,092)	761	1,325,957
Net change in fund balance	60,000	(594,156)	(3,555)	714,928
Fund Equity, beginning	-	594,156	3,555	1,817,035
Fund Equity, ending	\$ 60,000	\$ -	\$ -	\$ 2,531,963

Permanent Funds

General Cemetery Care	Parks and Playgrounds	Libraries	Highways and Streets	Human Services	Total Nonmajor Permanent Funds	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,500
-	-	-	-	-	-	319,834
-	-	-	-	-	-	962,200
-	-	-	-	-	-	14,198
101,260	140,941	3,762	1,675	2,046	249,684	262,895
-	-	-	-	-	-	424,077
-	-	-	-	-	-	140,930
<u>101,260</u>	<u>140,941</u>	<u>3,762</u>	<u>1,675</u>	<u>2,046</u>	<u>249,684</u>	<u>2,131,634</u>
9,426	-	-	-	-	9,426	214,377
-	-	-	-	-	-	184,466
-	-	-	166	-	166	172
-	-	-	-	233	233	77,334
-	-	-	-	-	-	216
-	13,376	346	-	-	13,722	196,001
-	-	-	-	-	-	2,800
-	-	-	-	-	-	1,797,700
-	-	-	-	-	-	10,369
<u>9,426</u>	<u>13,376</u>	<u>346</u>	<u>166</u>	<u>233</u>	<u>23,547</u>	<u>2,483,435</u>
91,834	127,565	3,416	1,509	1,813	226,137	(351,801)
-	-	-	-	-	-	2,032,715
-	-	-	-	-	-	128,546
<u>(61,050)</u>	<u>(108,396)</u>	<u>(2,558)</u>	<u>-</u>	<u>(4,000)</u>	<u>(176,004)</u>	<u>(968,579)</u>
<u>(61,050)</u>	<u>(108,396)</u>	<u>(2,558)</u>	<u>-</u>	<u>(4,000)</u>	<u>(176,004)</u>	<u>1,192,682</u>
30,784	19,169	858	1,509	(2,187)	50,133	840,881
<u>2,363,710</u>	<u>3,354,453</u>	<u>86,739</u>	<u>41,591</u>	<u>58,338</u>	<u>5,904,831</u>	<u>9,326,742</u>
<u>\$ 2,394,494</u>	<u>\$ 3,373,622</u>	<u>\$ 87,597</u>	<u>\$ 43,100</u>	<u>\$ 56,151</u>	<u>\$ 5,954,964</u>	<u>\$ 10,167,623</u>

TOWN OF DERRY, NEW HAMPSHIRE

CABLE TELEVISION FUND

STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Licenses and permits	\$ 241,863	\$ 241,863	\$ 316,934	\$ 75,071
Charges for services	200	200	111	(89)
Miscellaneous	300	300	86	(214)
	<u>242,363</u>	<u>242,363</u>	<u>317,131</u>	<u>74,768</u>
Expenditures and Other Uses:				
Current operations:				
General government	200,170	200,170	186,033	14,137
Capital outlay	31,500	31,500	29,841	1,659
Debt service:				
Principal retirement of leases	277	277	-	277
Interest and fiscal charges	30	30	-	30
Intergovernmental	10,386	10,386	10,369	17
	<u>242,363</u>	<u>242,363</u>	<u>226,243</u>	<u>16,120</u>
Excess of revenues over expenditures	\$ <u>-</u>	\$ <u>-</u>	\$ <u>90,888</u>	\$ <u>90,888</u>

PRIVATE PURPOSE FUNDS

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.

<u>Trust Name</u>	<u>Trust Purpose</u>
Derry Public Schools	Support public schools in Derry
Derry Visiting Nurse Association, Inc.	To care and treat elderly women and men who are 55 or more and reside in the Towns of Derry, Windham or Londonderry
East Derry Improvements Society	East Derry Improvements
Memorial Day Flowers	To place flowers each Memorial Day upon Helen Noyes' lot in Forest Hills

TOWN OF DERRY, NEW HAMPSHIRE

Combining Statement of Fiduciary Net Assets
Fiduciary Funds - All Private-Purpose Trust Funds

June 30, 2012

	<u>Derry Public Schools</u>	<u>Derry Visiting Nurses</u>	<u>East Derry Improvements Society</u>	<u>Memorial Day Flowers</u>	<u>Total Private-Purpose Trust Funds</u>
<u>ASSETS</u>					
Investments	\$ 32,291	\$ 321,657	\$ 12,855	\$ 2,018	\$ 368,821
Total Assets	<u>\$ 32,291</u>	<u>\$ 321,657</u>	<u>\$ 12,855</u>	<u>\$ 2,018</u>	<u>\$ 368,821</u>
<u>LIABILITIES</u>					
Due to other funds	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>NET ASSETS</u>					
Held in trust	<u>32,291</u>	<u>321,657</u>	<u>12,855</u>	<u>2,018</u>	<u>368,821</u>
Total Liabilities and Net Assets	<u>\$ 32,291</u>	<u>\$ 321,657</u>	<u>\$ 12,855</u>	<u>\$ 2,018</u>	<u>\$ 368,821</u>

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, 2012

	<u>Derry Public Schools</u>	<u>Derry Visiting Nurses</u>	<u>East Derry Improvements Society</u>	<u>Memorial Day Flowers</u>	<u>Total Private-Purpose Trust Funds</u>
Additions:					
Investment earnings:					
Investment income	\$ 1,432	\$ 15,733	\$ 601	\$ 85	\$ 17,851
Net decrease in the fair value of investments	<u>(131)</u>	<u>(1,917)</u>	<u>(41)</u>	<u>(8)</u>	<u>(2,097)</u>
Total investment earnings	1,301	13,816	560	77	15,754
Less investment expense	<u>(125)</u>	<u>(1,270)</u>	<u>(49)</u>	<u>(8)</u>	<u>(1,452)</u>
Net Investment Earnings	1,176	12,546	511	69	14,302
Deductions:					
Benefits	<u>200</u>	<u>9,395</u>	<u>-</u>	<u>8</u>	<u>9,603</u>
Total deductions	<u>200</u>	<u>9,395</u>	<u>-</u>	<u>8</u>	<u>9,603</u>
Change in Net Assets	976	3,151	511	61	4,699
Net assets held in trust:					
Beginning of year	<u>31,315</u>	<u>318,506</u>	<u>12,344</u>	<u>1,957</u>	<u>364,122</u>
End of year	<u>\$ 32,291</u>	<u>\$ 321,657</u>	<u>\$ 12,855</u>	<u>\$ 2,018</u>	<u>\$ 368,821</u>

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FIDUCIARY FUNDS

AGENCY FUNDS

Agency Funds are established to account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others.

1. Derry Cooperative School 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.

TOWN OF DERRY, NEW HAMPSHIRE

Combining Statement of Changes in Assets and Liabilities

Agency Funds

For the Year Ended June 30, 2012

	Balance July 1, <u>2011</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2012</u>
<u>Derry Cooperative School Agency Fund:</u>				
Assets - investments	\$ <u>360,369</u>	\$ <u>3,650</u>	\$ <u>(1,840)</u>	\$ <u>362,179</u>
Liabilities - due to other governments	\$ <u>360,369</u>	\$ <u>3,650</u>	\$ <u>(1,840)</u>	\$ <u>362,179</u>
<u>Performance Bond Agency Fund:</u>				
Assets - cash and cash equivalents	\$ <u>620,804</u>	\$ <u>500,731</u>	\$ <u>(765,586)</u>	\$ <u>355,949</u>
Liabilities - deposits held for others	\$ <u>620,804</u>	\$ <u>500,731</u>	\$ <u>(765,586)</u>	\$ <u>355,949</u>
<u>Totals:</u>				
Cash and cash equivalents	\$ 620,804	\$ 500,731	\$ (765,586)	\$ 355,949
Investments	<u>360,369</u>	<u>3,650</u>	<u>(1,840)</u>	<u>362,179</u>
Total Assets	\$ <u>981,173</u>	\$ <u>504,381</u>	\$ <u>(767,426)</u>	\$ <u>718,128</u>
Liabilities - due to other governments	\$ 360,369	\$ 3,650	\$ (1,840)	\$ 362,179
Liabilities - deposits held for others	<u>620,804</u>	<u>500,731</u>	<u>(765,586)</u>	<u>355,949</u>
Total Liabilities	\$ <u>981,173</u>	\$ <u>504,381</u>	\$ <u>(767,426)</u>	\$ <u>718,128</u>

Statistical Section

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TOWN OF DERRY, NEW HAMPSHIRE

STATISTICAL SECTION

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

	<u>Page</u>
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the government’s financial performance and well-being have changed over time.	120
<i>Revenue Capacity</i> These schedules contain information to help the reader assess the government’s most significant local revenue source, the property tax.	126
<i>Debt Capacity</i> 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.	130
<i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government’s financial activities take place.	134
<i>Operating Information</i> These schedules contain service and infrastructure data to help the reader understand how the information in the government’s financial report relates to the service the government provides and the activities it performs.	137

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports for the relevant year.

SCHEDULE 1

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

	Fiscal Year Ended June 30									
	2003	2004	2005	2006 *	2007	2008	2009	2010 **	2011	2012
Government Activities										
Invested in capital assets, net of related debt	\$94,356,098	\$91,175,678	\$96,093,430	\$95,250,347	\$94,868,610	\$97,250,699	\$99,127,898	\$101,986,936	\$106,540,331	\$106,678,601
Restricted	43,645,255	45,701,286	9,549,212	9,574,653	10,793,656	11,778,966	10,977,181	6,301,664	6,559,454	7,003,800
Unrestricted	5,486,475	6,435,210	11,404,663	10,974,175	11,842,047	11,990,757	12,034,740	16,440,924	14,771,367	15,173,059
Total Governmental Activities Net Assets	<u>\$143,487,828</u>	<u>\$143,312,174</u>	<u>\$117,047,305</u>	<u>\$115,799,175</u>	<u>\$117,504,313</u>	<u>\$121,020,422</u>	<u>\$122,139,819</u>	<u>\$124,729,524</u>	<u>\$127,871,152</u>	<u>\$128,855,460</u>
Business-type Activities										
Invested in capital assets, net of related debt	\$11,630,420	\$13,098,363	\$15,150,037	\$17,763,369	\$21,835,614	\$22,742,827	\$23,516,728	\$24,472,039	\$25,544,919	\$26,024,107
Restricted	855,585	5,837,523	-	-	-	-	-	-	-	-
Unrestricted	3,115,378	3,242,537	8,489,164	7,035,465	3,786,915	3,533,156	3,210,828	3,842,923	3,964,008	4,257,248
Total Business-type Activities Net Assets	<u>\$15,601,383</u>	<u>\$22,178,423</u>	<u>\$23,639,201</u>	<u>\$24,798,834</u>	<u>\$25,622,529</u>	<u>\$26,275,983</u>	<u>\$26,727,556</u>	<u>\$28,314,962</u>	<u>\$29,508,927</u>	<u>\$30,281,355</u>
Primary Government										
Invested in capital assets, net of related debt	\$105,986,518	\$104,274,041	\$111,243,467	\$113,013,716	\$116,704,224	\$119,993,526	\$122,644,626	\$126,458,975	\$132,085,250	\$132,702,708
Restricted	44,500,840	51,538,809	9,549,212	9,574,653	10,793,656	11,778,966	10,977,181	6,301,664	6,559,454	7,003,800
Unrestricted	8,601,853	9,677,747	19,893,827	18,009,640	15,628,962	15,523,913	15,245,568	20,283,847	18,735,375	19,430,307
Total Primary Government Net Assets	<u>\$159,089,211</u>	<u>\$165,490,597</u>	<u>\$140,686,506</u>	<u>\$140,598,009</u>	<u>\$143,126,842</u>	<u>\$147,296,405</u>	<u>\$148,867,375</u>	<u>\$153,044,486</u>	<u>\$157,380,079</u>	<u>\$159,136,815</u>

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

** Beginning in FY10, the Town began reporting internally restricted capital reserve funds as a component of unrestricted net assets rather than as restricted net assets as it had done in prior years.

SCHEDULE 2

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

	Fiscal Year Ended June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Expenses										
Governmental Activities										
General government	\$4,453,797	\$6,351,809	\$4,675,203	\$4,698,161	\$4,864,395	\$4,922,872	\$5,856,375	\$5,415,866	\$5,772,403	\$5,241,472
Public Safety	12,766,918	12,523,032	13,300,358	18,307,118	18,688,924	18,790,889	18,927,195	19,220,474	19,716,889	20,088,167
Highway & streets	379,026	3,933,288	3,105,552	4,184,803	3,985,181	4,181,494	4,059,063	4,291,377	4,368,205	4,039,962
Health & welfare	598,089	839,564	784,435	1,000,856	778,619	795,072	775,357	813,431	735,916	643,871
Sanitation	1,447,868	1,486,947	1,567,928	1,685,965	1,430,509	1,562,223	1,621,743	1,591,142	1,579,299	1,634,394
Culture & recreation	2,417,619	2,488,465	2,701,585	2,827,877	2,897,392	2,965,628	2,857,095	2,908,787	2,940,331	3,351,764
Conservation	2,477	1,350	20,259	20,727	17,264	29,113	13,089	12,252	16,577	9,120
Redevelopment & housing	55,000	65,000	65,000	65,000	65,000	55,016	57,093	177,750	-	-
Economic development	80,000	71,300	66,430	311,494	499,089	482,886	274,872	389,295	290,357	247,523
Debt service	517,367	476,890	545,972	498,637	504,695	480,718	443,518	389,331	365,191	386,000
Intergovernmental	-	-	40,246	-	-	-	-	-	-	-
Total Governmental Activities Expenses	\$22,718,161	\$28,237,645	\$26,872,968	\$33,600,638	\$33,731,068	\$34,265,911	\$34,885,400	\$35,209,705	\$35,785,168	\$35,642,273
Business-type Activities										
Water	\$1,747,561	\$1,758,219	\$1,839,085	\$2,009,790	\$2,097,520	\$2,088,784	\$2,032,481	\$2,089,938	\$2,337,353	\$2,313,232
Sewer	1,429,859	1,687,975	1,799,338	1,876,727	1,837,379	1,927,217	1,935,968	1,948,520	1,944,450	1,937,795
Total Business-type Activities Expenses	\$3,177,420	\$3,446,194	\$3,638,423	\$3,886,517	\$3,934,899	\$4,016,001	\$3,968,449	\$4,038,458	\$4,281,803	\$4,251,027
Total Primary Government Expenses	\$25,895,581	\$31,683,839	\$30,511,391	\$37,487,155	\$37,665,967	\$38,281,912	\$38,853,849	\$39,248,163	\$40,066,971	\$39,893,300
Program Revenues										
Governmental Activities										
Charges for services:										
General government	\$4,991,846	\$5,428,129	\$52,696	\$67,217	\$85,991	\$100,553	\$46,770	\$93,207	\$129,549	\$125,387
Public safety	1,347,918	844,669	909,456	1,231,802	1,057,789	1,164,763	1,075,782	1,611,004	1,690,832	1,410,038
Highway & streets	45,398	26,577	16,834	76,647	48,404	62,045	29,679	21,772	40,214	92,982
Health & welfare	23,350	7,997	1,831	21,533	17,604	1,108	2,455	22,932	26,959	27,927
Sanitation	286,028	344,204	472,859	455,484	363,737	449,513	373,011	397,267	450,465	508,259
Culture & recreation	141,648	161,776	126,747	103,283	161,648	163,453	164,581	170,374	194,859	199,406
Conservation commission	101,943	140,300	-	-	-	-	-	-	-	-
Operating grants & contributions	940,661	971,153	1,799,080	2,111,103	2,065,068	2,072,594	2,523,130	2,210,538	1,819,782	1,447,375
Capital grants & contributions	45,329	-	1,631,388	734,573	516,750	1,069,575	926,437	1,200,803	2,695,727	1,330,203
Total Governmental Activities Program Revenues	\$7,924,121	\$7,924,805	\$5,010,891	\$4,801,642	\$4,316,991	\$5,083,604	\$5,141,845	\$5,727,897	\$7,048,387	\$5,141,577

(continued)

SCHEDULE 2 (continued)

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

	Fiscal Year Ended June 30									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Business-type Activities										
Charges for services										
Water	\$1,429,203	\$1,670,955	\$1,674,138	\$2,409,189	\$2,211,514	\$2,362,870	\$2,286,130	\$2,270,130	\$2,458,522	\$2,533,351
Sewer	1,785,985	1,691,184	1,626,060	2,050,767	1,823,410	1,835,606	1,866,285	2,012,193	2,071,878	2,071,417
Operating grants & contributions	432,580	430,916	-	-	-	-	-	643,106	205,444	88,403
Capital grants & contributions	-	-	257,513	175,930	404,617	104,105	93,155	97,496	661,175	164,409
Total Business-type Activities Program Revenues	\$3,647,768	\$3,793,055	\$3,557,711	\$4,635,886	\$4,439,541	\$4,302,581	\$4,245,570	\$5,022,925	\$5,397,019	\$4,857,580
Total Primary Government Revenues	\$11,571,889	\$11,717,860	\$8,568,602	\$9,437,528	\$8,756,532	\$9,386,185	\$9,387,415	\$10,750,822	\$12,445,406	\$9,999,157
Net (Expense) Revenue										
Governmental activities	(\$14,794,040)	(\$20,312,840)	(\$21,862,077)	(\$28,798,996)	(\$29,414,077)	(\$29,182,307)	(\$29,743,555)	(\$29,481,808)	(\$28,736,781)	(\$30,500,696)
Business-type activities	470,348	346,861	(80,712)	749,369	504,642	286,580	277,121	984,467	1,115,216	606,553
Total Primary Government Net Expense	(\$14,323,692)	(\$19,965,979)	(\$21,942,789)	(\$28,049,627)	(\$28,909,435)	(\$28,895,727)	(\$29,466,434)	(\$28,497,341)	(\$27,621,565)	(\$29,894,143)
General Revenues & Other Changes in Net Assets										
Governmental Activities										
Property & other taxes	\$20,855,611	\$22,696,627	\$18,396,205	\$20,982,682	\$21,794,063	\$22,828,221	\$23,179,184	\$23,360,148	\$23,962,310	\$23,668,700
Licenses & permits			5,271,171	5,456,525	5,430,606	5,584,941	5,132,828	4,669,813	4,717,598	4,899,562
Grants & contributions not restricted to specific programs	1,791,022	1,977,812	1,580,389	1,686,188	1,800,063	1,910,166	1,992,361	1,694,458	1,780,356	1,542,507
Interest & investment earnings			1,051,406	1,747,030	2,559,466	1,468,474	150,975	523,509	784,714	471,109
Miscellaneous	870,262	1,776,278	1,175,759	652,178	752,406	382,952	399,645	687,969	633,431	917,755
Contributions to permanent fund principal	-	-	21,700	19,800	19,500	13,500	13,350	-	-	-
Special items-gain on sale of capital assets	-	-	-	373,577	-	534,655	-	-	-	-
Transfers	3,546,998	(6,109,558)	(1,303,751)	(24,148)	(24,810)	(24,493)	(5,391)	(31,272)	-	(14,629)
Total Governmental Activities	\$27,063,893	\$20,341,159	\$26,192,879	\$30,893,832	\$32,331,294	\$32,698,416	\$30,862,952	\$30,904,625	\$31,878,409	\$31,485,004
Business-type Activities										
Income & investment earnings	\$0	\$0	\$187,058	\$307,192	\$239,399	\$126,801	\$40,308	\$11,012	\$9,166	\$17,884
Miscellaneous	51,313	120,621	50,681	77,424	54,844	215,580	128,753	52,071	69,583	133,363
Special items-gain on sale of capital assets	-	-	-	1,500	-	-	-	-	-	-
Transfers	(3,546,998)	6,109,558	1,303,751	24,148	24,810	24,493	5,391	31,272	-	14,629
Total Business-type Activities	(\$3,495,685)	\$6,230,179	\$1,541,490	\$410,264	\$319,053	\$366,874	\$174,452	\$94,355	\$78,749	\$165,876
Total Primary Government	\$23,568,208	\$26,571,338	\$27,734,369	\$31,304,096	\$32,650,347	\$33,065,290	\$31,037,404	\$30,998,980	\$31,957,158	\$31,650,880
Change in Net Assets										
Governmental Activities	\$12,269,853	\$28,319	\$4,330,802	\$2,094,836	\$2,917,217	\$3,516,109	\$1,119,397	\$1,422,817	\$3,141,628	\$984,308
Business-type Activities	(\$3,025,337)	\$6,577,040	\$1,460,778	\$1,159,633	\$823,695	\$653,454	\$451,573	\$1,078,822	\$1,193,965	\$772,429
Total Primary Government	\$9,244,516	\$6,605,359	\$5,791,580	\$3,254,469	\$3,740,912	\$4,169,563	\$1,570,970	\$2,501,639	\$4,335,593	\$1,756,737

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 2001-2004 shown above, General Revenues & Other Changes in Net Assets are not broken down in as much detail as are fiscal years 2005-2010, 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									
	2003	2004	2005	2006 *	2007	2008	2009	2010	2011 **	2012
General Fund:										
Reserved	\$1,475,903	\$1,124,603	\$2,216,019	\$673,990	\$338,614	\$322,826	\$346,810	\$566,455	-	-
Unreserved	8,980,534	9,771,634	10,642,509	10,369,762	10,551,610	11,846,663	12,490,200	10,330,675	-	-
Nonspendable	-	-	-	-	-	-	-	-	47,666	74,168
Restricted	-	-	-	-	-	-	-	-	620,550	571,271
Committed	-	-	-	-	-	-	-	-	5,530,589	5,203,971
Assigned	-	-	-	-	-	-	-	-	349,130	1,092,965
Unassigned	-	-	-	-	-	-	-	-	10,244,689	12,806,496
Total General Fund	\$10,456,437	\$10,896,237	\$12,858,528	\$11,043,752	\$10,890,224	\$12,169,489	\$12,837,010	\$10,897,130	\$16,792,624	\$19,748,871
All Other Governmental Funds:										
Reserved	\$5,333,788	\$6,318,890	\$5,240,551	\$4,643,325	5,101,862	\$5,973,394	\$5,322,806	\$6,785,990	-	-
Unreserved, reported in:										
Special revenue funds	2,556,465	3,298,613	3,653,906	5,032,432	6,267,446	6,532,750	6,498,122	6,419,871	-	-
Capital project funds	4,762,050	3,779,049	1,519,159	1,726,865	1,514,997	1,213,880	1,378,833	2,018,817	-	-
Permanent funds	1,569,742	-	430,416	911,679	1,154,918	289,267	298,844	419,344	-	-
Nonspendable	-	-	-	-	-	-	-	-	5,038,112	5,304,598
Restricted	-	-	-	-	-	-	-	-	2,171,234	3,287,736
Committed	-	-	-	-	-	-	-	-	2,117,395	1,575,289
Total All Other Governmental Funds	\$14,222,045	\$13,396,552	\$10,844,032	\$12,314,301	\$14,039,223	\$14,009,291	\$13,498,605	\$15,644,022	\$9,326,741	\$10,167,623

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.

** Beginning with FY 2011, the presentation of Fund Balance conforms with Government Accounting Standards Board Statement No. 54.

SCHEDULE 4

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues:										
Taxes	\$18,345,524	\$19,504,155	\$18,556,414	\$20,932,527	\$21,498,501	\$22,637,596	\$23,208,798	\$23,452,828	\$23,451,834	\$23,610,788
Licenses & permits	4,958,321	5,109,114	5,271,171	5,456,525	5,430,606	5,584,941	5,132,828	5,065,518	5,107,026	5,190,764
Intergovernmental	2,777,012	2,929,885	3,525,787	4,418,285	3,876,582	4,352,278	4,523,157	4,507,678	5,326,913	3,677,367
Charges for services	1,639,250	1,524,180	1,603,736	1,893,122	1,659,790	1,830,467	1,632,130	1,920,850	2,143,450	2,072,796
Interest & investment income	-	-	1,051,406	1,747,030	2,559,466	1,468,474	150,975	523,510	784,712	471,108
Contributions	-	-	-	-	-	-	-	-	-	424,077
Miscellaneous	1,210,822	1,975,416	1,508,103	1,861,531	1,326,191	593,386	500,239	563,107	504,729	590,296
Total Revenues	\$28,930,929	\$31,042,750	\$31,516,617	\$36,309,020	\$36,351,136	\$36,467,142	\$35,148,127	\$36,033,491	\$37,318,664	\$36,037,196
Expenditures:										
Current operations-										
General government	\$4,053,044	\$5,790,360	\$3,880,750	\$4,237,011	\$4,518,629	\$4,480,579	\$4,644,991	\$4,662,711	\$5,051,656	\$4,919,263
Public safety	12,521,663	12,245,280	13,915,103	17,363,724	17,969,416	17,810,998	18,142,797	17,872,831	18,334,892	18,592,809
Highways & streets	3,044,891	3,178,763	3,010,545	3,957,932	3,849,479	4,139,025	3,773,442	4,103,297	3,802,837	3,885,826
Health & welfare	594,035	837,234	774,804	1,005,108	762,059	812,303	771,933	801,740	716,642	604,040
Sanitation	1,375,185	1,449,345	1,460,844	1,637,541	1,595,580	1,507,164	1,576,541	1,510,116	1,559,847	1,576,299
Culture & recreation	2,170,242	2,423,084	2,335,255	2,552,929	2,577,082	2,664,121	2,644,736	2,697,540	2,679,467	2,918,935
Conservation	2,477	1,350	20,259	21,001	17,264	29,112	13,089	12,252	16,148	9,120
Redevelopment & housing	55,000	65,000	65,000	65,000	65,000	55,016	57,093	177,750	-	-
Economic Development	80,000	71,300	66,430	361,494	272,647	230,800	220,282	332,133	365,399	172,481
Capital outlay	4,037,589	1,295,877	3,705,771	4,980,552	1,678,387	3,425,537	1,631,514	1,620,455	4,905,502	2,281,253
Debt service-										
Principal retirement	1,279,936	1,139,342	935,000	870,000	860,000	855,000	920,000	1,447,116	953,863	937,612
Interest & fiscal charges	517,367	470,453	846,710	881,908	955,020	881,480	767,109	678,112	368,055	379,504
Intergovernmental	-	-	40,246	112,183	58,172	38,929	12,826	9,983	10,009	10,369
Total Expenditures	\$29,731,429	\$28,967,388	\$31,056,717	\$38,046,383	\$35,178,735	\$36,930,064	\$35,176,353	\$35,926,036	\$38,764,317	\$36,287,511
Excess revenues over (under) expenditures	(\$800,500)	\$2,075,362	\$459,900	(\$1,737,363)	\$1,172,401	(\$462,922)	(\$28,226)	\$107,455	(\$1,445,653)	(\$250,315)

(continued)

SCHEDULE 4 (continued)

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>Other financing sources (uses):</u>										
Issuance of long-term bonds	\$0	\$3,500,000	\$0	\$1,000,000	\$100,000	647,116	-	-	-	3,400,000
Proceeds from sale of capital assets						\$550,000	\$47,335	\$129,354	\$125,472	\$294,416
Issuance of capital leases	450,000	148,503	473,539	438,380	323,803	547,134	150,617	-	898,394	367,654
Transfers in	8,498,265	7,412,929	2,974,518	4,877,188	5,252,138	4,126,327	3,216,376	4,764,888	3,595,665	1,289,095
Transfers out	(4,951,267)	(13,522,487)	(4,278,269)	(4,901,336)	(5,276,948)	(4,150,820)	(3,221,767)	(4,796,160)	(3,595,665)	(1,303,724)
Premium paid on asset exchange	-	-	-	(21,376)	-	(7,502)	(7,500)	-	-	-
Total other financing sources (uses)	\$3,996,998	(\$2,461,055)	(\$830,212)	\$1,392,856	\$398,993	\$1,712,255	\$185,061	\$98,082	\$1,023,866	\$4,047,441
Net change in fund balances	\$3,196,498	(\$385,693)	(\$370,312)	(\$344,507)	\$1,571,394	\$1,249,333	\$156,835	\$205,537	(\$421,787)	\$3,797,126
Debt service as a percentage of non-capital expenditures	7.0%	5.8%	6.5%	5.3%	5.4%	5.2%	5.0%	6.2%	3.9%	3.9%

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, 2001 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 Town Direct Tax Rate	Estimated Actual Taxable Value	Total Assessed Value as a % of Estimated Actual Taxable Value
2003	\$ 1,306,592,918	\$ 481,743,475	\$ -	\$ 17,671,550	\$ 1,770,664,843	10.55%	\$ 2,300,549,847	76.967%
2004	1,346,912,118	461,190,325	-	17,268,500	\$1,790,833,943	10.86%	2,665,169,654	67.194%
2005	1,891,864,100	391,236,800	-	16,796,375	\$2,266,304,525	8.58%	2,806,879,197	80.741%
2006	1,916,485,900	393,363,300	-	18,412,875	\$2,291,436,325	9.31%	3,117,340,578	73.506%
2007	2,478,166,614	433,996,506	64,134,100	20,075,232	\$2,956,221,988	7.50%	3,082,608,955	95.900%
2008	2,522,675,292	419,301,173	62,022,100	19,345,933	\$2,984,652,632	7.64%	3,020,860,172	98.801%
2009	2,217,289,640	406,647,328	67,086,800	26,439,044	\$2,664,584,724	8.81%	2,787,222,515	95.600%
2010	2,041,836,522	409,283,343	67,359,800	28,739,420	\$2,489,740,245	9.39%	2,620,779,205	95.000%
2011	2,044,021,314	406,511,108	68,917,300	29,023,053	\$2,490,426,669	9.41%	2,485,455,757	100.200%
2012	2,042,409,452	399,299,617	77,978,400	29,780,675	\$2,494,906,794	9.52%	2,355,908,210	105.900%

Sources: DerryMS-1 Report of Assessed Values filed with the NH Department of Revenue Administration (DRA) and DRA's Annual Equalization Survey.

Notes:

(1) Unable to breakout Commercial and Industrial assessed value for Fiscal Years 2001-2006. 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's goal is to maintain values as close to 100% through an annual process of cycled inspections and a valuation update every other year. A partial valuation update was done in 2008 for FY09, with the most recent full valuation update being done in 2009 for FY10.

Schedule 6

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

Fiscal Year	Town Direct Rates			Total Overlapping Rates				Total Tax Rate (3)
	Town Services (1)	Fire District (2)	Total Direct Rate	Derry Cooperative School District	State Education Tax	Rockingham County	Total Overlapping Rates	
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
2010	\$9.39	\$0.00	\$9.39	\$14.85	\$2.59	\$1.05	\$18.49	\$27.88
2011	\$9.41	\$0.00	\$9.41	\$15.51	\$2.48	\$1.08	\$19.07	\$28.48
2012	\$9.52	\$0.00	\$9.52	\$14.22	\$2.49	\$1.04	\$17.75	\$27.27

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

Taxpayer	Type of Business	FY 2012			FY 2003		
		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	\$55,327,080	1	2.22%	\$40,803,200	1	2.30%
Campbell, Gilbert G., Trustee (Aladdin Village & Derry County Club Estates)	Real Estate - Apartments	33,054,484	2	1.32%	26,719,100	2	1.51%
HCA Health Services of NH, Inc. (Parkland Medical Center)	Healthcare - Hospital	20,304,200	3	0.81%	16,277,700	3	0.92%
Public Service Company of NH (PSNH)	Utility - Electric	19,356,000	4	0.78%	12,995,600	5	0.73%
Derry MZL LLC	Commercial - Retail	19,137,300	5	0.77%	11,637,500	6	0.66%
WP Hood Associates, LLC (Hood Plaza)	Commercial - Retail	15,168,800	6	0.61%	13,061,300	4	0.74%
EKMK Associates Ltd. Partnership	Real Estate - Apartments	10,409,800	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	9,075,200	10	0.36%	7,231,400	8	0.41%
Franklin Derry Limited Partnership (Franklin Village Apartments)	Real Estate - Apartments				5,656,500	9	0.32%
Sanmina Corp. (Sanmina/Hadco)	Industrial Manufacturing				10,309,000	7	0.58%
The Birches Development, Inc.	Commercial-Professional Offices				4,684,500	10	0.26%
Totals		\$201,211,064		8.06%	\$149,375,800		8.44%
Total Taxable Assessed Valuation is:		\$2,494,906,794			\$1,770,664,843		

Source: Town of Derry, NH Assessing Records
Information based on valuation as of April 1 prior to beginning 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
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%	\$ 1,624,256	\$ 278,513	\$ 19,080,158	99.99%
2005	\$20,219,964	\$ 18,634,503	92.16%	\$ 1,337,784	\$ 243,817	\$ 20,216,105	99.98%
2006	\$21,717,219	\$ 20,737,653	95.49%	\$ 562,439	\$ 409,557	\$ 21,709,650	99.97%
2007	** \$21,886,058	\$ 21,271,716	97.19%	\$ 461,779	\$ 125,955	\$ 21,859,451	99.88%
2008	\$22,529,760	\$ 21,908,661	97.24%	\$ 472,239	\$ 118,217	\$ 22,499,117	99.86%
2009	\$23,338,263	\$ 22,660,097	97.09%	\$ 457,799	\$ 107,953	\$ 23,225,849	99.52%
2010	\$23,037,481	\$ 22,505,738	97.69%	\$ 380,563	\$ 67,861	\$ 22,954,163	99.64%
2011	\$23,477,396	\$ 23,019,793	98.05%	\$ 174,070	\$ 55,458	\$ 23,249,321	99.03%
2012	\$23,817,145	\$ 23,311,000	97.87%	\$ -	\$ 57,344	\$ 23,368,343	98.12%

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**

Fiscal Year	Governmental Activities					Business Type Activities					Total Primary Government Debt		
	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
2003	\$ 8,815,000	\$ -	\$ 457,428	\$ 40,625	\$ -	\$ 2,184,400	\$ -	\$ 25,000	\$ 8,428,299	\$ -	\$19,950,752	N/A	\$576
2004	\$ 9,450,000	\$ -	\$ 408,100	\$ -	\$ 2,000,000	\$ 1,913,400	\$ -	\$ 20,000	\$ 7,654,497	\$ -	\$21,445,997	N/A	\$618
2005	\$ 8,515,000	\$ -	\$ 596,529	\$ -	\$ 2,000,000	\$ 1,638,740	\$ -	\$ 15,000	\$ 6,884,158	\$ -	\$19,649,427	N/A	\$566
2006	\$ 8,645,000	\$ -	\$ 669,308	\$ -	\$ 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	\$ -	\$ 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	\$ -	\$ 2,000,000	\$ 844,940	\$ 1,964	\$ -	\$ 5,569,362	\$ 1,964	\$16,808,119	N/A	\$491
2009	\$ 6,090,000	\$ 747,116	\$ 541,256	\$ -	\$ 1,920,000	\$ 613,140	\$ 1,336	\$ -	\$ 4,867,899	\$ 1,336	\$14,782,083	N/A	\$434
2010	\$ 5,470,000	\$ 600,000	\$ 282,672	\$ -	\$ 1,840,000	\$ 450,000	\$ 681	\$ -	\$ 4,156,280	\$ 681	\$12,800,314	N/A	\$373
2011	\$ 4,960,000	\$ -	\$ 814,225	\$ -	\$ 1,760,000	\$ 400,000	\$ 1,058	\$ -	\$ 3,649,730	\$ 1,059	\$11,586,072	0.26%	\$350
2012	\$ 4,450,000	\$ -	\$ 836,286	\$ -	\$ 5,080,000	\$ 350,000	\$ -	\$ -	\$ 3,136,078	\$ -	\$13,852,364	0.22%	\$420

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**

<u>Fiscal Year</u>	<u>General Bonded Debt Outstanding</u>			<u>% of Actual Taxable Value of Property</u>	<u>Per Capita</u>
	<u>General Obligation Bonds</u>	<u>Tax Increment Financing Bonds</u>	<u>Total</u>		
2003	\$ 8,815,000	\$ -	\$ 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
2010	\$ 5,470,000	\$ 1,840,000	\$ 7,310,000	0.29%	\$213
2011	\$ 4,960,000	\$ 1,760,000	\$ 6,720,000	0.27%	\$203
2012	\$ 4,450,000	\$ 5,080,000	\$ 9,530,000	0.38%	\$289

Notes:

Details regarding the Town's outstanding debt can be found in the notes to the financial statements.
 Property value data from Form MS-1 filed with the NH Department of Revenue Administration for the prior tax year.
 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, 2012**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable</u>	<u>Share of Direct & Overlapping Debt</u>
Direct:			
Town of Derry	\$9,530,000	100.00%	\$9,530,000
Overlapping:			
Rockingham County	-	6.1981%	-
Derry Cooperative School District	17,445,000	100.00%	<u>17,445,000</u>
Sub Total - Overlapping Debt			<u>17,445,000</u>
Total Direct and Overlapping Debt			<u><u>\$26,975,000</u></u>

Sources: Debt outstanding data is provided by each governmental unit and the percentage applicable to the Town of Derry for Rockingham County, based on 2012 town allocation, is provided by the County.

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 2012	
Equalized assessed valuation	\$2,519,016,472
General Fund debit limit (3% of equalized Valuation)	75,570,494
Water Fund debit limit (10% of equalized Valuation)	251,901,647

	Fiscal Year									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
<u>General Fund</u>										
Debt Limit	\$69,705,292	\$81,255,082	\$85,564,379	\$98,038,070	\$94,842,992	\$90,625,085	\$84,783,824	\$79,472,053	\$75,472,246	\$75,570,494
Total debt applicable to limit	<u>13,315,000</u>	<u>14,035,000</u>	<u>13,185,000</u>	<u>13,400,000</u>	<u>13,225,000</u>	<u>12,450,000</u>	<u>10,445,263</u>	<u>9,584,283</u>	<u>8,270,066</u>	<u>11,711,880</u>
Legal debt margin	<u>\$56,390,292</u>	<u>\$67,220,082</u>	<u>\$72,379,379</u>	<u>\$84,638,070</u>	<u>\$81,617,992</u>	<u>\$78,175,085</u>	<u>\$74,338,561</u>	<u>\$69,887,770</u>	<u>\$67,202,180</u>	<u>\$63,858,614</u>
Total debt applicable to limit as a percentage of debt limit	19.10%	17.27%	15.41%	13.67%	13.94%	13.74%	12.32%	12.06%	10.96%	15.50%
<u>Water Fund</u>										
Debt Limit	\$232,350,974	\$270,850,273	\$285,214,598	\$326,793,568	\$316,143,307	\$302,086,017	\$282,612,747	\$264,906,843	\$251,574,153	\$251,901,647
Total debt applicable to limit	<u>2,175,740</u>	<u>1,904,740</u>	<u>1,638,740</u>	<u>1,372,740</u>	<u>1,106,740</u>	<u>844,940</u>	<u>613,140</u>	<u>450,000</u>	<u>400,000</u>	<u>2,568,500</u>
Legal debt margin	<u>\$230,175,234</u>	<u>\$268,945,533</u>	<u>\$283,575,858</u>	<u>\$325,420,828</u>	<u>\$315,036,567</u>	<u>\$301,241,077</u>	<u>\$281,999,607</u>	<u>\$264,456,843</u>	<u>\$251,174,153</u>	<u>\$249,333,147</u>
Total net debt applicable to limit as a percentage of debt limit	0.94%	0.70%	0.57%	0.42%	0.35%	0.28%	0.22%	0.17%	0.16%	1.02%

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**

<u>Fiscal Years Ended June 30,</u>	<u>Population</u>	<u>Personal Income</u>	<u>Per Capita Personal Income</u>	<u>School Enrollment</u>	<u>Unemployment Rate</u>
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	7.8%
2010	34,318	N/A	N/A	6,161	6.4%
2011	33,109	\$997,673,497	\$ 30,133	6,018	5.5%
2012	33,008	\$993,177,712	\$ 30,089	5,900	6.5%

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 (NHES), 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 2011-2012 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 from the New Hampshire Office of Energy & Planning (NHOEP), though available in FY2011 due to the 2010 census and in FY2012 based on an update from NHES. Prior to 2010, this information is derived from the census data done every 10 years and subsequently should be available every 5 years.

SCHEDULE 14

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

<u>Employer</u>	<u>Type of Business</u>	<u>Fiscal Year 2012 (1)</u>			<u>Fiscal Year 2003 (2)</u>		
		<u>Employees</u>	<u>Rank</u>	<u>% of Total Town Employment</u>	<u>Employees</u>	<u>Rank</u>	<u>% of Total Town Employment</u>
Derry Cooperative School District	Education	620	1	3.27%	635	1	3.00%
HCA Health Services of NH	Healthcare/Hospital	531	2	2.80%	416	3	1.97%
Pinkerton Academy	Education	477	3	2.52%			
Town of Derry	Municipal services	364	4	1.92%	250	5	1.18%
Wal-Mart Store	Retail chain	200	5	1.05%			
Hannaford Supermarket	Supermarket	142	6	0.75%			
Fireye	Fire Equipment	125	7	0.66%			
Shaw's Supermarket	Supermarket	116	8	0.61%	280	4	1.32%
Biosan Laboratories	Vitamin, supplements & minerals	115	9	0.61%			
Sanmina/Hadco	Electronics	90	10	0.47%	540	2	2.55%
Dynaco	Electronics				120	6	0.57%
Treasure Master Corp.	Novelty Manufacturing				103	7	0.49%

Source: NH Department of Employment Security (NHDES), Economic & Labor Market Information Bureau's *Community Profiles*, while total town employees used to calculate the percentage of employment comes from NHDES' Local Area Unemployment Statistics Report as of the December 31 that falls within the fiscal year.

Note:

- (1) Fiscal Year 2012 information is from the 2011 calendar year profile.
- (2) Fiscal Year 2003 information is from the Town's Public Offering Statement for the sale of bonds in 2001, from the Derry Cooperative School District and from Town payroll records. This information, on only the top 7 employers, is the closest data available to that fiscal year.

SCHEDULE 15

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

<u>Function/Program</u>	<u>Fiscal Year Ended June 30,</u>									
	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010*</u>	<u>2011</u>	<u>2012</u>
<u>Governmental Activities</u>										
General government	25	24	24	26	27	27	27	26	25	24
Public Safety	143	141	149	165	162	162	162	153	153	152
Highway & streets	31	30	28	28	28	28	28	28	27	27
Health & welfare	1	1	2	3	3	3	3	3	3	3
Sanitation	5	5	6	6	6	6	6	5	5	5
Culture & recreation	8	8	8	8	8	8	8	8	8	8
Economic Development	2	2	2	2	2	3	3	2	2	2
<u>Business-Type Activities</u>										
Water	6	6	6	6	6	6	6	6	6	6
Sewer	7	7	7	7	7	7	7	7	7	7
Totals	228	224	232	251	249	250	250	238	236	234

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.

* A full-time position originally removed in the FY2010 budget was restored by the Town Council early in the fiscal year and has been included in the information shown.

SCHEDULE 16

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

	Fiscal Year									
	2003	2004	2005	2006	2007	2008 *	2009	2010	2011	2012
Public safety										
Number of police calls answered	25,937	27,119	27,446	25,979	22,709	21,850	23,426	24,690	26,663	26,939
Physical arrests	1,438	1,757	1,906	1,723	1,427	1,373	1,250	1,363	1,272	1,412
Traffic violations	1,595	1,867	1,803	1,294	1,035	801	833	960	1,144	1,052
Parking violations	1,180	937	969	901	797	616	396	482	534	1,182
Total Offenses Reported (prior calendar year basis)										
Group A	2,623	2,479	2,719	2,654	2,642	2,543	2,544	2,691	2,854	3,033
Group B	1,301	1,132	1,370	1,354	1,176	1,150	1,199	1,107	1,048	1,071
Fire & rescue calls dispatched (5 towns)										
Total fire & rescue responses		7,507	7,238	7,261	7,597	7,386	8,053	8,127	7,804	7,930
Fire emergency services		3,915	3,844	4,126	4,060	4,199	4,519	4,546	4,393	4,282
Fire emergency services		1,066	713	785	907	860	1,248	1,513	1,405	1,396
False alarms	407	427	289	453	337	446	409	407	422	393
EMS/Rescue	3,422	2,422	2,842	2,888	2,816	2,893	2,991	3,033	2,939	2,886
Patients treated & transported			1,971	2,009	2,075	2,305	2,503	2,327	2,360	2,247
Patients treated only			15	14	18	29	53	25	10	22
Inspections conducted										
Fire code	2,945	1,245	1,089	1,444	769					
Permits						866	1,012	705	697	713
Fire Permits		3,837	4,058	1,640	1,704	182	78	648	198	627
Public safety education programs	317	168	344	379	421	130	128	122	138	61
Program attendees			3,635	3735	4340	2766	4824	4877	4965	2179
Water										
Daily average water consumption	1.4 MGD	1.38 MGD	1.36 MGD	1.32 MGD	1.28 MGD	1.30 MGD	1.18 MGD	1.24 MGD	1.34 MGD	1.41 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	3.52 MGD
Sewer										
Daily average treatment in gallons	1.71 MGD	1.63 MGD	1.66 MGD	1.88 MGD	1.75 MGD	1.67 MGD	1.85 MGD	1.80 MGD	1.59 MGD	1.72 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 2003-2005. 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									
	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	30	30	30	30	30	30	30	30	30	30
Fire stations	3	3	5	4	4	4	4	4	4	4
Fire/EMS Response Apparatus *		24	31	31	30	30	30	30	30	30
Highways & streets										
Miles of streets	158	161	161.5	161.7	160.9	160.9	162.4	162.4	162.8	163.2
Number of street lights	912	916	921	921	921	921	921	921	921	923
Miles of sidewalks	18	19	19	19	19	19.3	19.3	19.3	19.3	19.3
Culture & recreation										
Community centers	6	6	6	6	6	6	6	6	6	6
Parks	6	6	6	6	6	6	6	6	6	6
Park acreage	132.1	132.1	132.1	132.1	132.1	132.1	132.1	132.1	132.1	132.1
Multi-purpose fields	9	9	9	9	9	9	9	9	9	9
Baseball/softball fields	8	8	8	8	8	8	8	8	8	8
Beaches	2	2	2	2	2	2	2	2	2	2
Tennis courts	6	5	5	5	5	5	5	5	5	5
Libraries	2	2	2	2	2	2	2	2	2	2
Water										
Miles of water mains	67	68	68	68	68	68.2	68.2	68.7	70.31	70.31
Service connections	3,864	3,913	3,927	3,945	3,966	3,977	3,989	4,005	4,028	4,041
Fire hydrants	540	562	571	573	575	575	591	592	614	614
Sewer										
Miles of sanitary sewers	45	46	46	46	46	46.6	48.9	48.9	48.9	48.9
Miles of storm sewers	16	17	17	18	18	18	18	18	19	19
Treatment plants	1	1	1	1	1	1	1	1	1	1
Service connections	2,999	2,928	2,954	2,984	2,995	3,021	3,029	3,049	3,064	3,082

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 2003-2005. 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.