



TOWN OF DERRY, NEW HAMPSHIRE

Comprehensive Annual Financial Report

For the Fiscal Year Ending

June 30, 2016

Photo on the Cover:

Fall Mist on Beaver Lake

*Photographed by
Doug Rathburn*

TOWN OF DERRY, NEW HAMPSHIRE
Comprehensive Annual Financial Report
For the Year Ended June 30, 2016

Prepared by:
The Finance Department

Janice Mobsby
Controller

Susan Hickey
Chief Financial Officer

Mark Fleischer
Senior Accountant

Town of Derry, New Hampshire
Comprehensive Annual Financial Report
For the Fiscal Year Ended June 30, 2016

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Town of Derry, NH

Office of the Finance Department

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November 16, 2016

To the Citizens and Members of the Town Council:

The Comprehensive Annual Financial Report (CAFR) of the Town of Derry for the fiscal year ended June 30, 2016, is hereby submitted. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rest with the Town. To the best of our knowledge and belief, the following data, including the financial statements, supporting schedules and statistical tables, 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 and account groups of the Town. We also believe that the Town's existing internal control systems are adequate. All disclosures necessary to enable the reader to gain an understanding of the Town's financial activities have been included.

The Town management's narrative on the financial activities of the Town for the fiscal year ended June 30, 2016, is in the Management's Discussion and Analysis (MD&A) section of this report, immediately following the Report of Independent Auditors. The letter of transmittal is written to complement the MD&A and the financial statements, and should be read from that perspective and in conjunction with all other sections of the CAFR.

The Comprehensive Annual Financial Report is presented in three sections: introductory, financial and statistical. The introductory section includes this transmittal letter, the Town's organizational chart and a list of principal officials. The financial section includes the basic financial statements and schedules, as well as, the auditor's report on the financial statements and schedules. The statistical section includes selected financial and demographic information, generally presented on a multi-year basis.

This report includes all funds and account groups of the Town. The Town provides a full range of services including 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 TV, general welfare assistance, maintenance of land use records, raising and collection of taxes, community and economic development, health and 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. This report does not include the funds of the Derry School District or Rockingham County. These governmental units are independent of the Town and do not meet the criteria for inclusion in this CAFR.

Independent Audit

State statutes require an annual audit by independent public accountants. The Town's accounting firm is Melanson Heath. In addition to meeting the requirements set forth in state statutes, the financial statements, combining, and individual fund statements and schedules are included in the financial section of this report.

PROFILE OF THE GOVERNMENT

Geography. The Town of Derry is located in Rockingham County in southern New Hampshire, approximately 40 minutes northwest of Boston via Route 93, and is situated between Salem and Londonderry. The Town has a population of 33,180 (according to the 2014 Census) and occupies 36.30 square miles.

Derry was incorporated in 1827 and since 1993 has operated under a charter with a seven-member Council. Policy making and legislative authority are vested in the governing council. All administrative and operational affairs of the Town are the responsibility of the Town Administrator.

Derry has a diverse character, combining residential, commercial, industrial, and recreational activities. Derry's proximity to two of New Hampshire's major north/south highways, as well as the presence of Manchester-Boston Regional Airport (MHT) makes Derry an attractive community to live and foster business development and growth. Derry is the fourth largest community in the State. MHT offers direct flights to many major cities around the nation.

Governing Boards. The Town Council consists of seven members elected to staggered three-year terms. The Council acts as the legislative body of the Town, including adoption of the annual budget, and appoints a Town Administrator to serve an indefinite term as the Town's chief executive. The funds with legal budgets approved by the Town Council include General Fund and Cable Special Revenue Fund.

Administration. Administrative functions of the Town are carried out by the Town Administrator. The Town Administrator is responsible for the administrative and financial affairs of the Town overseeing the day-to-day operations, and implements policies established by the Town Council. The Town Administrator is responsible for appointing the heads of the various departments, for negotiating with the various bargaining units of the Town and making recommendation to the Town Council on various issues.

Fiscal Year and Budget. The Town's fiscal year begins on July 1 of each year and ends the following June 30. In June 2013, the Town Council unanimously adopted a Fund Balance Policy. This policy sets forth the categories of fund balance in accordance with GASB 54 and delineates the spending prioritizations of them. The policy also sets forth that annually,

following completion of the annual financial audit, the Finance Department will calculate the percentage of Unassigned Fund Balance for that fiscal year. If the level of Unassigned Fund Balance exceeds the mid-point of the GFOA recommended range plus one half a percent (13%), without action of the Town Council, the surplus shall be transferred to capital reserve funds for Fire, Information Technology, Police, and Public Works for the purpose of funding future capital improvements. The allocation to each fund is based on the percentage of each area in the Town's adopted six-year Capital Improvement Plan. In accordance with the annual reconciliation provision of the Policy, no transfer was made at June 30, 2016 from unassigned fund balance as it did not reach the 13% threshold. The unassigned fund balance remains strong and provides increased flexibility for all Town operations.

Items identified for the annual operating budget are included in the Town Administrator's recommended annual budget. Departments are responsible for submitting their annual budget requests to the Town Administrator. After reviews with the departments, the Town Administrator makes any final adjustments to his/her recommended budget. The Department Heads and Town Administrator's recommended budget is presented to the Town Council beginning in December of each year.

The Town Council may adjust the Administrator's recommended annual budget by majority vote. The Council is required to hold a public hearing on the budget, and all budget adjustments are presented to the public. The budget is then presented for voting by the Town Council in May. The legal spending limit is at the department level, as voted by the Town Council.

INFORMATION USEFUL IN ASSESSING THE GOVERNMENT'S ECONOMIC CONDITION

Local Economy

Local economic conditions are favorable when compared to other regions. The 2016 unemployment rate for Derry is 5.1%, which is consistent with the overall 2016 U.S. unemployment rate of 5.1%. Three major areas of complimentary development are taking shape to provide unprecedented economic expansion within Derry that will benefit the entire State of New Hampshire.

Long-Term Financial Planning

The Town continues to revise its budget review process to ensure the efficient use of government resources, the application of non-recurring revenues for one-time capital items, and the development of revenue estimates consistent with anticipated performance levels in light of current economic conditions and operational policies.

The Town is beginning the process of completing a comprehensive Revenue Study to determine appropriate levels for its fee-for-service programs, including Emergency Medical Services; Building Inspection Programs; wastewater facilities; and other revenue programs. The revised program reflects actual costs and market rates for its services, thereby further solidifying the Town's financial position.

The Town's Planning Department and Economic Development

Fiscal Year 2016 activity in the Planning Department continued at a steady pace similar to what the department had begun to see in Fiscal Year 2013. Both residential and commercial development plans were submitted to the office and construction activity and building was very visible throughout town. This past year work continued on zoning amendments including expanding the General Commercial zone at Lenox Road and Crystal Avenue this past year. The Planning Department also worked with the New Hampshire Community Loan Fund on two Community Development Block Grants (CDBG) to assist two manufactured housing parks to replace and improve their infrastructure/water systems and examine the feasibility of potentially tying into Town water and sewer, replacing aging water and septic systems.

Highlights of development activity in Fiscal Year 2016 included construction of two self-storage facilities of 72,000 sf and 45,000 sf, auto custom exhaust garage, Cumberland Farms expansion and store façade improvements in the Downtown on East Broadway, a 16-bed Assisted Living Facility on Beaver Lake, a 7,000 sf addition to the Mutual Sales industrial building at the Ash Street Corporate Park, a new landscaping business on Bowers Road, construction of Phase II of the mixed-use retail/office Cowbell Corner development on Route 111, the re-opening of the Birch Woods Vineyards Winery/Function Facility on Route 28, and although approved in July 2106, a new Sal's Pizza on Crystal Avenue and the re-location of Tupelo Hall Entertainment venue to Derry on A Street, off Manchester Road.

The Planning Department continues their work with Southern New Hampshire Planning Commission, Southern New Hampshire Regional Economic Development Corporation, Greater Derry-Salem Cooperative Alliance for Regional Transportation as well the Greater Derry-Londonderry Chamber of Commerce on regional planning, business, and transportation issues. The Department also works with Southern New Hampshire Planning Commission, New Hampshire Department of Transportation, and members of the Derry Heritage Commission on the Robert Frost/Old Stage Coach Scenic Byway. The Scenic Byway will celebrate and help protect historical features, rural character, and natural and scenic qualities of the five corridor communities (Derry, Atkinson, Hampstead, Chester, Auburn) through which it passes.

The Planning Department continues work with three excellent committees that will have a significant impact on future Town policies and projects that will benefit the Town. Staff has enjoyed and continues to enjoy being a part of these groups which includes the Building & Property Maintenance Committee, Derry Cooperative School District 2015-1016 Facilities Study Committee, and Town of Derry's Economic Development Advisory Committee.

The Town of Derry has begun to actively promote and market the Town and has updated its webpage with available commercial and industrial properties for sale and redevelopment.

Debt Management

While the Town of Derry does not have a formal debt management policy, its practice related to the issuance of new debt is based on restraint and conservatism, generally looking to its

other resources (cash, fund balance, and available grants) before entering the financial markets to sell a long-term debt issue. The Town utilizes capital leases for the replacement, upgrading, or addition of vehicles, trucks, and major equipment. The Town presently has no plans to issue additional bonds in the foreseeable future.

The government currently has an Aa1 rating from Moody's Investors Service for bonds issued by the Town prior to FY 2013. In FY 2013, Standard & Poor's assigned a rating of AA to the \$4.75 million of general obligation bonds issued and the \$1.16 million of general obligation refunding bonds. In FY 2014, Standard & Poor's upgraded its rating to AA+ for the \$3,444,000 of general obligation issued in April for the expansion of the Town's water and sewer infrastructure. A rating of 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.

Awards and Acknowledgements

This report continues to refine the financial reporting of the Town. It is the eighteenth year the Town has produced a comprehensive annual financial report (CAFR). The Town received the Certificate of Achievement for Excellence in Financial Reporting for the Fiscal Years beginning in 1998 through 2015. This recognized the Town Finance Department's efforts for full disclosure of the financial information of the Town. A CAFR is a much more detailed reporting of the Town's finances, as well as providing historical information in the statistical section of this report.

The Certificate of Achievement is valid for a period of one year only. The Town believes that the current CAFR continues to meet the Certificate of Achievement Program's requirements and it will be submitted to the Government Finance Officers Association to determine its eligibility for another certificate.

The Town invites you to visit our web site at www.Derrynh.org where summary financial information is prominently displayed.

The publication of the CAFR requires many staff hours to accomplish and would not have been possible without the dedication of the entire staff of the Finance Department.

The strong financial position of the Town would not have been possible without the guidance and direction of the Town Council through its fiscal policies; the professional and diligent efforts of the entire staff of the Town; all to whom we owe our sincere appreciation.

Respectfully submitted,



Steven Daly
Acting Town Administrator



Susan A. Hickey
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

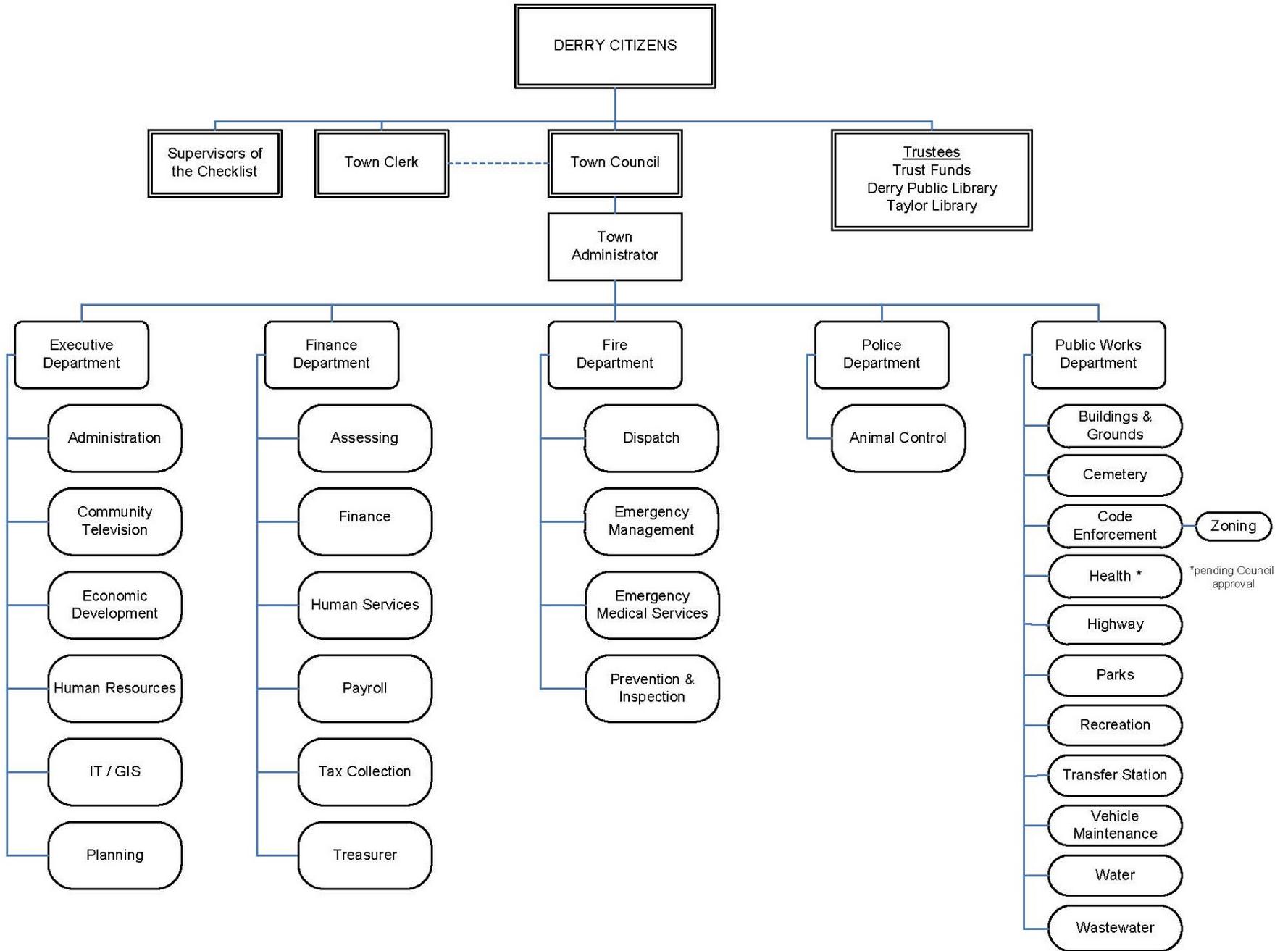
Presented to

**Town of Derry
New Hampshire**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



**TOWN OF DERRY, NEW HAMPSHIRE
PRINCIPAL OFFICIALS
AS OF JUNE 30, 2016**

Town Council

Brian Chirichiello	Chair, Councilor-District #4
Joshua Bourdon	Councilor-at-Large
Phyllis M. Katsakiores	Councilor-at-Large
James P. Morgan	Councilor-at-Large
Richard P. Tripp	Councilor-District #1
Charles H. Foote	Councilor-District #2
David N. Fischer	Councilor-District #3

Administration

Robin Bordonaro	Animal Control Officer
Barbara Chapman	Assessor
Neil Wetherbee	Chair, Conservation Commission
Karen Blandford-Anderson	Chair, Heritage Commission
David Granese	Chair, Planning Board
Joel Olbricht	Chair, Trustees of Trust Funds
Lynn Perkins	Chair, Zoning Board of Adjustment
Susan A. Hickey	Chief Financial Officer
Edward B. Garone	Chief of Police
Robert S. Mackey	Code Enforcement Officer
Cara Barlow	Director, Derry Public Library
Michael A. Fowler	Director of Public Works
Linda L. Merrill	Director, Taylor Library
Michael Gagnon	Emergency Management Director
Michael Gagnon	Fire Chief
Jill E. Jamro	Human Services Administrator
Eric H. Bodenrader	Parks & Recreation Director
George H. Sioras	Planning Director
Dawn K. Enwright	Tax Collector
Daniel Healey	Town Clerk
Allan Virr	Town Treasurer
Mary Till	Town Moderator
Judith Strakalaitis	Supervisor of the Checklist – Chair
Dina Bourassa	Supervisor of the Checklist
Patricia Dowling	Supervisor of the Checklist

INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Derry, New Hampshire

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Derry, New Hampshire (the Town), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

nificant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Derry, New Hampshire as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The combining and individual nonmajor fund financial statements and the budgetary comparison schedule 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's basic financial statements. The introductory and statistical sections are presented for purposes of additional analysis and are 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 16, 2016 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Melanson Heath

November 16, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of the Town of Derry, New Hampshire (the Town) is prepared by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2016.

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 Position 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 Town.

Reporting the Town as a Whole

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

These two statements report the Town's *net position* and its changes during the past year. Over time, *increases* or *decreases* in the Town's net position are indicators 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 Position and the Statement of Activities, we divide the Town's functions into three kinds of activities:

Governmental activities – Most of the Town's basic services are reported here, including the police, fire, public works, finance, executive administration, and library department activities. 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 be converted readily 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 Position 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 Position 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 can be used only for the trust beneficiaries because of the trust arrangements. All of the Town’s fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. 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 government-wide net position, assets, and deferred outflows minus liabilities and deferred inflows, for governmental and business activities increased by \$1.8 million to \$125.4 million.
- The recognition of the pension liability has impacted the government-wide unrestricted net position, which is reported as a deficit of \$(14.7) million, of which \$(21.4) million of the deficit is the unrestricted net position of governmental activities.
- At the end of the current fiscal year, the total general fund balance was \$22.1 million, a decrease of \$(2.6) million in comparison to the prior year. The unassigned general fund balance was \$9.0 million, a decrease of \$(2.3).
- Two new bonds were issued in 2016 to refund debt issued in prior years.
- Total bonds payable, including unamortized premiums, was \$16.1 million at the close of the current fiscal year, a decrease of \$(1.7) million.

The Town as a Whole

Government-Wide Financial Analysis

The following analysis focuses on net position and changes in net position of the Town's governmental and business-type activities and separately considers the operations of both activities. The charts on the next few pages highlight current year and prior year comparisons of net position and changes in net position for Governmental activities, Business type activities (water and sewer operations), and totaled for each year.

Overall, the Town's total net position increased \$1.8 million to \$125.4 million when compared to the prior year.

Town of Derry, NH Net Position (in thousands) As of June 30,						
	2016			2015		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
Assets:						
Current and other assets	\$ 73,026	\$ 9,327	\$ 82,353	\$ 77,012	\$ 6,812	\$ 83,824
Capital assets	114,564	31,985	146,549	112,878	32,176	145,054
Total Assets	<u>187,590</u>	<u>41,312</u>	<u>228,902</u>	<u>189,890</u>	<u>38,988</u>	<u>228,878</u>
Deferred Outflows	<u>3,716</u>	<u>158</u>	<u>3,874</u>	<u>3,383</u>	<u>129</u>	<u>3,512</u>
Total Assets and Deferred Outflows	<u>\$ 191,306</u>	<u>\$ 41,470</u>	<u>\$ 232,776</u>	<u>\$ 193,273</u>	<u>\$ 39,117</u>	<u>\$ 232,390</u>
Liabilities:						
Current liabilities	\$ 2,503	\$ 375	\$ 2,878	\$ 2,426	\$ 338	\$ 2,764
Long-term debt	56,645	8,248	64,893	55,024	8,560	63,584
Total Liabilities	<u>59,148</u>	<u>8,623</u>	<u>67,771</u>	<u>57,450</u>	<u>8,898</u>	<u>66,348</u>
Deferred Inflows	39,442	113	39,555	42,169	232	42,401
Net Position:						
Net Investment in capital assets	106,507	26,041	132,548	104,468	25,797	130,265
Restricted net position	7,580	-	7,580	7,740	-	7,740
Unrestricted net position	<u>(21,371)</u>	<u>6,693</u>	<u>(14,678)</u>	<u>(18,554)</u>	<u>4,190</u>	<u>(14,364)</u>
Total Net Position	<u>92,716</u>	<u>32,734</u>	<u>125,450</u>	<u>93,654</u>	<u>29,987</u>	<u>123,641</u>
Total Liabilities, Deferred Inflows and Net Position	<u>\$ 191,306</u>	<u>\$ 41,470</u>	<u>\$ 232,776</u>	<u>\$ 193,273</u>	<u>\$ 39,117</u>	<u>\$ 232,390</u>

Town of Derry, NH
Changes in Net Position (in thousands)
For the years ended June 30,

	2016			2015		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
Revenue						
<u>Program revenue:</u>						
Charges for services	\$ 2,368	\$ 4,640	\$ 7,008	\$ 2,332	\$ 4,612	\$ 6,944
<u>Grants:</u>						
Operating grants	1,127	37	1,164	1,130	25	1,155
Capital grants	611	63	674	961	65	1,026
<u>General revenue:</u>						
Property taxes	23,441	-	23,441	25,098	-	25,098
Other general revenue	6,919	2,615	9,534	10,262	111	10,373
Total revenue	<u>34,466</u>	<u>7,355</u>	<u>41,821</u>	<u>39,783</u>	<u>4,813</u>	<u>44,596</u>
<u>Program expenses:</u>						
Town:						
General government	5,245	-	5,245	6,621	-	6,621
Public safety	18,972	-	18,972	19,176	-	19,176
Highway and streets	4,444	-	4,444	5,022	-	5,022
Health, welfare & housing	687	-	687	778	-	778
Sanitation	1,964	-	1,964	1,757	-	1,757
Culture and recreation	3,136	-	3,136	3,157	-	3,157
Conservation	10	-	10	22	-	22
Economic development	615	-	615	657	-	657
Interest on long-term debt	331	-	331	373	-	373
Water	-	2,375	2,375	-	2,355	2,355
Sewer	-	2,233	2,233	-	2,088	2,088
Total Program expenses	<u>35,404</u>	<u>4,608</u>	<u>40,012</u>	<u>37,563</u>	<u>4,443</u>	<u>42,006</u>
Change in net position	(938)	2,747	1,809	2,220	370	2,590
Net Position - beginning of year	<u>93,654</u>	<u>29,987</u>	<u>123,641</u>	<u>91,434</u>	<u>29,617</u>	<u>121,051</u>
Net Position - end of year	<u>\$ 92,716</u>	<u>\$ 32,734</u>	<u>\$ 125,450</u>	<u>\$ 93,654</u>	<u>\$ 29,987</u>	<u>\$ 123,641</u>

Governmental Activities

The net position of \$92.7 million for governmental activities includes \$106.5 million of net investment in capital assets which is not available for future spending. Net investment in capital assets comprises 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 and provide a function to citizens of Derry, but would not be sold to fund future Town obligations.

The restricted net position of \$7.6 million is 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 position and are in the care of the Town's Trustees of the Trust Funds.

The unrestricted net position of \$(21.4) million is the part of net position that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation, or other legal requirements. The deficit arose primarily due to the recognition of net pension liability in fiscal 2015, representing an allocation of the New Hampshire Retirement System (NHRS) liability, in accordance with new governmental accounting standard (GASB 68). The State of New Hampshire adopted legislation that reduced pension benefits and the NHRS has in recent years improved its funding mechanism to reduce their unfunded liability. Because Town officials do not have control to change or offset the pension system's long-term liability, the Town's unrestricted net position will continue to remain a deficit, despite favorable operating performance of the Town, until the NHRS pension system develops adequate reserves to fund its obligations.

Overall, the total net position of governmental activities decreased by \$(0.9) million. Key elements of this change are as follows (in thousands):

Increase in OPEB liability	\$ (1,033)
Increase in net pension liability	(2,313)
Decrease in pension related deferred inflows/outflows	3,067
Capital asset additions financed by prior year revenues	1,586
Unassigned General Fund balance used to finance Water System Extensions	(2,509)
Other	<u>264</u>
Total Changes	\$ <u><u>(938)</u></u>

The Net Cost of Services chart shown below demonstrates the financial impact that was placed on the Town's taxpayers by each of these Town functions. The Town's investment in public safety, fire, ambulance, and police services represents 53.6% of the net cost of Derry's local government.

Town of Derry, NH
Net Cost of Services (in thousands) Governmental Activities
For the years ended June 30,

	2016			2015		
	<u>Total Cost of Services</u>	<u>Total Revenue</u>	<u>Net Cost of Services</u>	<u>Total Cost of Services</u>	<u>Total Revenue</u>	<u>Net Cost of Services</u>
Town programs:						
Public safety	\$ 18,972	\$ 2,092	\$ 16,880	\$ 19,176	\$ 1,926	\$ 17,250
General government	5,245	152	5,093	6,621	175	6,446
Highway and streets	4,444	1,128	3,316	5,022	1,105	3,917
Culture and recreation	3,136	210	2,926	3,157	152	3,005
Sanitation	1,964	398	1,566	1,757	414	1,343
Health & welfare	687	97	590	778	164	614
Economic Development	615	30	585	657	487	170
All others	341	-	341	395	-	395
Total	<u>\$ 35,404</u>	<u>\$ 4,107</u>	<u>\$ 31,297</u>	<u>\$ 37,563</u>	<u>\$ 4,423</u>	<u>\$ 33,140</u>

The net cost of services for governmental activities decreased by \$(1.8) million, most significantly affected by an effort to reduce department budgets and therefore the effect on the tax payers.

The reduction in total revenues relates mainly to the one-time economic development loan received in fiscal 2015.

Business Type Activities

The net position of the water and sewer enterprises totals \$32.7 million. The capital assets of \$32.0 million in water and sewer pipes, pump stations, and lagoon infrastructure capital assets, offset by related bonded debt of \$5.9 million, comprise the majority of the value in the net position of the business type activities. Net of related debt from bonds and capital leases, the \$26.0 million of investment in capital assets is not available to pay for future activities.

The unrestricted net position totaling \$6.7 million is available for future spending. This represents an increase of \$2.5 million over the previous fiscal year, resulting from the Town Council resolution passed on April 5, 2016, funding the Water System Extensions with the unassigned general fund balance. The Town is looking to accept MtBE Mitigation Bureau funds from the State of New Hampshire to reimburse the general fund. The costs related to this \$2.5 million project will not incur until fiscal year 2017.

Analysis of Balances and Transactions of Individual Funds

Governmental Funds

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

Governmental fund reporting reflects short-term inflows, outflows, and remaining balances of spendable resources. Fund Balance includes restricted funds that are non-spendable or are subject to restrictions external to local government control and unrestricted fund balance that is available for future use. Of the \$32.2 million total fund balance for governmental funds, \$8.6 million is non-spendable or restricted and \$23.6 million is unrestricted (committed, assigned, and unassigned).

At the end of the current fiscal year, governmental funds reported combined ending fund balances of \$32.2 million, a change of \$(4.5) million in comparison to the prior year. Key elements of this change are as follows:

Unassigned General Fund balance transferred to finance Water Fund capital project	\$ (2,509)
Timing difference between prior year bond proceeds and current year capital expenditures for the Transfer Station project	(1,945)
Other	<u>4</u>
 Total Changes	 <u>\$ (4,450)</u>

The general fund is the only major governmental fund of the Town and is the chief operating fund. The total general fund balance decreased by \$(2.6) million during 2016. Of the total \$22.1 million general fund balance, \$9.0 million was unassigned in the general fund on June 30, 2016.

In accordance with the Town’s fund balance policy, the amount of unassigned fund balance is limited to 13% of the next year’s tax commitment. Excess unassigned fund balance is committed to fund future capital improvements. At the end of fiscal year 2016, the unassigned fund balance of the General Fund was under the 13% of the next year’s tax commitment. As a result, no additional funds were transferred to the committed fund balance.

In addition to the transfer to the Water Fund, the decrease in unassigned fund balance was partly a result of a special election to reinstate cut positions and add back the reduced overtime to the budget reflected in original budget as well as supplemental appropriations funded by use of unassigned fund balance reflected in the revised budget.

Comparing the percentage of total general fund expenditures to total and unassigned fund balance gives an indication of liquidity. The chart below reflects the changes in both unassigned and total fund balance.

General Fund (GF) Fund Balance (in thousands)	2016	2015	Change	% of 2015 Property Tax Commitment
Unassigned	\$ 8,977	\$ 11,319	\$ (2,342)	10%
Total	\$ 22,069	\$ 24,622	\$ (2,553)	24%
Property Tax Commitment	\$ 91,236	\$ 86,791	\$ 4,445	

The Town measures liquidity based on the property tax commitment of the ensuing year because the Town is responsible for raising funds by taxation for the school district and county that are not reported in the financial statements of the Town of Derry. The education portion of the property tax commitment above is estimated.

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 the unassigned general fund balance

at year-end. Any restrictions or commitments or assignments of funds are carved from the unassigned fund balance to reflect restrictions due to external obligations or commitments made by the Town Council or assignments made by management.

The changes in the total general fund balance were impacted by the following factors (in thousands):

Use of Fund Balance	\$ (6,628)
Revenues greater than budgeted	878
Expenses lower than budgeted	1,842
Proceeds from capital assets higher than budgeted	(170)
Change in reserve for appropriation carryforwards	1,576
Other	<u>(51)</u>
 Total Changes	 <u>\$ (2,553)</u>

Capital Reserve funds within the general fund balance are highlighted below. With the exception of the Compensated Absences and Highway Winter Maintenance reserves, these reserves support funding of the Town's Capital Plan.

Committed Reserves	<u>2016</u>	<u>2015</u>	<u>Change</u>
Compensated Absences	\$ 3,584,437	\$ 3,618,892	\$ (34,455)
Derry Public Library	34,413	43,682	(9,269)
Emergency Management	10	6,435	(6,425)
Fire	1,888,854	2,239,595	(350,741)
Fire Facilities and Equipment	96,316	199,085	(102,769)
Highway Winter Maintenance	219,607	118,097	101,510
Information Technology	188,521	215,074	(26,553)
Land and Building Fund	344,219	362,680	(18,461)
Parks Facilities Fund	108,309	107,479	830
Police	1,091,692	1,118,245	(26,553)
Police Vehicles	-	723	(723)
Public Works	1,772,675	2,493,593	(720,918)
Taylor Library	215,066	219,693	(4,627)

The use of these reserves has been an important and effective planning tool to save and prepare for major projects under the tax cap constraints on annual net appropriations.

The governmental funds financial statements can be found on pages 28 to 32.

Enterprise Fund Activities

Charges for service revenue were \$38 thousand higher in the water division and \$(9) thousand lower in the sewer division compared to the prior year. Therefore, revenue remained consistent.

The Water division operating income of \$276 thousand was consistent with the prior year as both personnel and repairs and maintenance costs were lower, by \$(18) thousand and \$(35) thousand respectively, while utilities expense increased \$60 thousand.

The Sewer division operating income of \$20 thousand was \$(141) thousand lower than the prior year due to higher repair and maintenance costs of \$124 thousand, higher capital asset depreciation of \$16 thousand, and lower operating revenues derived by charges for services and miscellaneous revenue.

The Water division's income before capital contributions and transfers improved by \$9 thousand to \$275 thousand – 10.6% of operating revenue – reflecting an improving trend.

The Sewer division's income before capital contributions and transfers decreased by \$(122) thousand to a loss \$(86) thousand due to the increased cost of repairs and maintenance.

Billing rates have remained unchanged since June 2013.

Budgetary Highlights

The FY2016 budget was voted by the Town Council in May 2015 at a total of \$35,297,699 (\$34,973,622 for General Fund and \$324,077 for Cable Special Revenue Fund). The Town Council's goal was to reduce taxes by a minimum of \$1.00 per thousand. Their goal had been achieved with their vote by using \$694,800 in undesignated fund balance to offset the tax rate and eliminating positions in Fire, Police, Public Works and closing a Fire Station. A citizens group was formed and a lawsuit filed to have a special election held for voters to opine on the drastic reduction of public safety. A special election was held in October 2015 with eight warrant articles totaling \$1,631,704 (added back to original budget on page 32); which would reinstate public safety positions, public works positions and re-open Hampstead Road Fire Station. All articles passed bringing the tax rate reduction from \$1.21 per thousand to .55 per thousand. Fiscal year closed with a surplus of \$ 2,719,605, before considering other financing sources and uses. Other financing sources include use of fund balance of \$6,628,430. Departments with surplus at the end of the fiscal year were those impacted by the original Town Council vote to have positions eliminated. The departments weren't able to hire until after the October town meeting which created a surplus in those departments. Revenue was received above anticipated levels for building permits, motor vehicle registrations, and sales of tax deeded property.

Capital Asset and Debt Administration

Capital Asset Activity

Town of Derry, NH
Capital Assets as of June 30,
(Net of Depreciation, in thousands)

	2016			2015		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
Land	\$ 7,930	\$ 202	\$ 8,132	\$ 7,930	\$ 202	\$ 8,132
Buildings & Improvements	12,461	111	12,572	11,119	115	11,234
Vehicles & Equipment	3,781	506	4,287	3,630	581	4,211
Construction Work in Progress	27	122	149	1,618	3,518	5,136
Infrastructure & Improvements	87,341	30,346	117,687	85,928	27,099	113,027
Intangibles	3,024	662	3,686	2,653	661	3,314
Totals	\$ 114,564	\$ 31,949	\$ 146,513	\$ 112,878	\$ 32,176	\$ 145,054

Governmental Activities

The total investment in capital assets at year-end amounted to \$114,564 thousand (net of accumulated depreciation), a change of \$1,686 thousand from the prior year. This investment includes land, infrastructure, intangibles, buildings and improvements, equipment, and vehicles.

Additions were funded with a combination of funding by donations, grants, debt, and use of fund balance. Major acquisitions in 2016 reported to the nearest thousand are noted below:

- \$1,774 – Transfer Station Building
- \$1,183 – Transfer Station Land Improvement
- \$392 – Transfer Station Baler
- \$115 – Generator
- \$229 – Route 28 Improvements
- \$407 – Harvest Drive Road Acceptance
- \$386 – Gunther/Nelson Conservation Easement
- \$329 – LED Street Light Conversion

Business Type Activities

The total investment in capital assets at year-end amounted to \$31,985 (net of accumulated depreciation), a change of \$(191) from the prior year. This investment includes land, infrastructure, intangibles, buildings and improvements, equipment, and vehicles.

Primary capital investment in 2016 is reported to the nearest thousand as noted below:

- \$1,731 – Rockingham Road/Route 28 Sewer Improvements
- \$1,343 – Rockingham Road/Route 28 Utility Improvements
- \$832 – Rockingham Road/Route 28 Pump Station Upgrade

Long-Term Liabilities

During fiscal 2016 the Town issued two refunding bonds related to the police station addition, Ash St. TIF, and the wastewater treatment plant effluent upgrade.

In summary, after debt service payments, changes to our outstanding bond debt are reflected in the chart below:

Town of Derry, NH Outstanding Bond Debt As of June 30, (in thousands)						
	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation bonds (Backed by the Town)	\$ 5,810	\$ 6,520	\$ 5,790	\$ 6,230	\$ 11,600	\$ 12,750
Tax increment financing bond	4,285	4,840	-	-	4,285	4,840
	<u>\$ 10,095</u>	<u>\$ 11,360</u>	<u>\$ 5,790</u>	<u>\$ 6,230</u>	<u>\$ 15,885</u>	<u>\$ 17,590</u>
Annual change (decrease)	(1,265)		(440)		(1,705)	
Percent change	-11.1%		-7.1%		-9.7%	

On May 26, 2016, Moody's upgraded the Town of Derry's \$4.2M general obligation bonds to Aa1 from Aa2. The rating for the other outstanding debt remained the same at AA+.

More information regarding capital leases and bonds and other long term debt is presented in Notes 11 and 12 to the financial statements.

Other obligations include net pension liability, accrued vacation pay, sick leave, capital leases, and other post-employment benefits (OPEB). More detailed information about the Town's OPEB liabilities is presented in Note 18 to the financial statements. More information on net pension liability can be found in Note 19 of the financial statements and required supplementary schedules found on pages 73-74.

Next Year's Budgets

In May 2016, the fiscal year 2017 budget was adopted by the Town Council. The budget includes funding for 2 additional firefighters, 1 police officer, and additional funding for economic development purposes. During the year a comprehensive revenue study will be com-

pleted and rates adjusted accordingly. Total appropriations for FY17 are \$39,327,286 (General and Cable Funds) and anticipated revenue is \$17,177,089.

Contacting the Town's Financial Management

This financial report is designed to provide Derry's citizens, taxpayers, customers, 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 the Accounting Manager at the Derry, NH Finance Department at (603) 432-6103. The Chief Financial Officer may be reached at susanhickey@derrynh.org.

TOWN OF DERRY, NEW HAMPSHIRE
STATEMENT OF NET POSITION
JUNE 30, 2016

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	Government- Wide <u>Total</u>
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets:			
Current:			
Cash and cash equivalents	\$ 43,885,498	\$ -	\$ 43,885,498
Investments	29,148,763	504,183	29,652,946
Taxes receivable	6,224,548	-	6,224,548
Accounts receivable, net	179,499	608,733	788,232
Due from other governments	21,409	126,762	148,171
Internal balances	(7,277,528)	7,277,528	-
Prepaid items	94,810	17,952	112,762
Property held for resale	323,743	-	323,743
Total current assets	<u>72,600,742</u>	<u>8,535,158</u>	<u>81,135,900</u>
Noncurrent:			
Accounts receivable, net	-	175,327	175,327
Loans receivable	245,331	-	245,331
Due from other governments	180,154	616,900	797,054
Capital assets:			
Non-depreciable capital assets	90,060,070	985,930	91,046,000
Depreciable capital assets, net	<u>24,503,437</u>	<u>30,998,595</u>	<u>55,502,032</u>
Total non-current assets	<u>114,988,992</u>	<u>32,776,752</u>	<u>147,765,744</u>
TOTAL ASSETS	187,589,734	41,311,910	228,901,644
Deferred Outflows of Resources	<u>3,716,752</u>	<u>157,516</u>	<u>3,874,268</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	<u>\$ 191,306,486</u>	<u>\$ 41,469,426</u>	<u>\$ 232,775,912</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Liabilities:			
Current:			
Accounts payable	\$ 1,365,134	\$ 250,500	\$ 1,615,634
Accrued expenses	434,010	20,516	454,526
Retainage payable	97,873	103,647	201,520
Tax refunds liability	350,000	-	350,000
Due to other governments	19,470	-	19,470
Other liabilities	236,908	-	236,908
Current portion of long-term liabilities:			
General obligation bonds payable	641,856	470,945	1,112,801
Tax increment financing bonds payable	430,000	-	430,000
Capital leases payable	158,568	22,138	180,706
Compensated absences	796,760	46,710	843,470
Estimated liability for landfill postclosure care costs	<u>12,995</u>	<u>-</u>	<u>12,995</u>
Total current liabilities	<u>4,543,574</u>	<u>914,456</u>	<u>5,458,030</u>
Noncurrent:			
General obligation bonds payable	5,279,169	5,404,957	10,684,126
Tax increment financing bonds payable	3,855,000	-	3,855,000
Capital leases payable	56,850	45,738	102,588
Compensated absences	2,787,677	151,790	2,939,467
Other post-employment benefits payable	7,778,539	628,803	8,407,342
Net pension liability	<u>34,847,485</u>	<u>1,476,838</u>	<u>36,324,323</u>
Total non-current liabilities	<u>54,604,720</u>	<u>7,708,126</u>	<u>62,312,846</u>
TOTAL LIABILITIES	59,148,294	8,622,582	67,770,876
Deferred Inflows of Resources	39,442,374	112,857	39,555,231
Net Position:			
Net investment in capital assets	106,506,853	26,040,747	132,547,600
Restricted for:			
Endowments - permanently restricted	6,206,523	-	6,206,523
Permanent funds - spendable	918,967	-	918,967
Conservation	454,821	-	454,821
Unrestricted	<u>(21,371,346)</u>	<u>6,693,240</u>	<u>(14,678,106)</u>
TOTAL NET POSITION	<u>92,715,818</u>	<u>32,733,987</u>	<u>125,449,805</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	<u>\$ 191,306,486</u>	<u>\$ 41,469,426</u>	<u>\$ 232,775,912</u>

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

TOWN OF DERRY, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

	<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	\$ 5,244,746	\$ 132,818	\$ 6,128	\$ 12,865
Public safety	18,972,353	1,589,881	387,355	115,000
Highways and streets	4,444,365	57,285	666,039	404,383
Health and welfare	687,021	29,875	67,086	-
Sanitation	1,963,583	397,767	-	-
Culture and recreation	3,136,458	160,423	-	49,100
Conservation	9,760	-	-	-
Economic development	615,423	-	-	29,544
Interest on long-term debt	330,799	-	-	-
Total Governmental Activities	<u>35,404,508</u>	<u>2,368,049</u>	<u>1,126,608</u>	<u>610,892</u>
Business-Type Activities:				
Water	2,374,976	2,573,530	26,612	-
Sewer	<u>2,232,643</u>	<u>2,066,772</u>	<u>10,543</u>	<u>62,915</u>
Total Business-Type Activities	<u>4,607,619</u>	<u>4,640,302</u>	<u>37,155</u>	<u>62,915</u>
Total primary government	<u>\$ 40,012,127</u>	<u>\$ 7,008,351</u>	<u>\$ 1,163,763</u>	<u>\$ 673,807</u>

General Revenues:

Property taxes
 Motor vehicle registration
 Cable franchise fees
 Grants and contributions not restricted to specific programs
 Interest and investment earnings
 Miscellaneous
 Transfers

Total general revenues and transfers

Change in Net Position

Net Position:

Beginning of year

End of year

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

<u>Net (Expenses) Revenues and Changes in Net Position</u>		
<u>Governmental</u>	<u>Business-</u>	
<u>Activities</u>	<u>Type</u>	<u>Total</u>
<u>Activities</u>	<u>Activities</u>	
\$ (5,092,935)	\$ -	\$ (5,092,935)
(16,880,117)	-	(16,880,117)
(3,316,658)	-	(3,316,658)
(590,060)	-	(590,060)
(1,565,816)	-	(1,565,816)
(2,926,935)	-	(2,926,935)
(9,760)	-	(9,760)
(585,879)	-	(585,879)
<u>(330,799)</u>	<u>-</u>	<u>(330,799)</u>
(31,298,959)	-	(31,298,959)
-	225,166	225,166
<u>-</u>	<u>(92,413)</u>	<u>(92,413)</u>
-	132,753	132,753
<u>(31,298,959)</u>	<u>132,753</u>	<u>(31,166,206)</u>
23,441,027	-	23,441,027
5,818,409	-	5,818,409
367,610	-	367,610
1,677,543	-	1,677,543
618,887	35,196	654,083
932,040	83,925	1,015,965
<u>(2,495,113)</u>	<u>2,495,113</u>	<u>-</u>
<u>30,360,403</u>	<u>2,614,234</u>	<u>32,974,637</u>
(938,556)	2,746,987	1,808,431
<u>93,654,374</u>	<u>29,987,000</u>	<u>123,641,374</u>
<u>\$ 92,715,818</u>	<u>\$ 32,733,987</u>	<u>\$ 125,449,805</u>

TOWN OF DERRY, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	<u>General</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 43,884,652	\$ 846	\$ 43,885,498
Investments	21,555,132	7,593,630	29,148,762
Taxes receivable	6,222,953	1,595	6,224,548
Accounts receivable, net	85,001	94,497	179,498
Due from other governments	9,778	191,784	201,562
Due from other funds	-	2,262,496	2,262,496
Prepaid items	92,646	2,165	94,811
Property held for resale	323,743	-	323,743
Loans receivable	-	245,331	245,331
TOTAL ASSETS	<u>\$ 72,173,905</u>	<u>\$ 10,392,344</u>	<u>\$ 82,566,249</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 1,450,907	\$ 12,100	\$ 1,463,007
Accrued expenditures	380,243	1,740	381,983
Due to other governments	19,470	-	19,470
Due to other funds	9,483,462	56,562	9,540,024
Tax refunds liability	350,000	-	350,000
Other liabilities	236,908	-	236,908
TOTAL LIABILITIES	11,920,990	70,402	11,991,392
Deferred Inflows of Resources	38,184,035	230,489	38,414,524
Fund Balances:			
Nonspendable	416,389	6,388,842	6,805,231
Restricted	6,525	1,768,444	1,774,969
Committed	11,476,393	1,934,167	13,410,560
Assigned	1,192,987	-	1,192,987
Unassigned	8,976,586	-	8,976,586
TOTAL FUND BALANCES	<u>22,068,880</u>	<u>10,091,453</u>	<u>32,160,333</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 72,173,905</u>	<u>\$ 10,392,344</u>	<u>\$ 82,566,249</u>

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

TOWN OF DERRY, NEW HAMPSHIRE

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

JUNE 30, 2016

Total governmental fund balances	\$ 32,160,333
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	114,563,507
• Property taxes and other revenues are recognized on an accrual basis in the statement of net position, not the modified accrual basis	1,635,124
• Deferred inflows and outflows of pension resources are not financial resources nor are they available to pay current-period expenditures. Pension related inflows and outflows consist of:	
Deferred inflows	(2,662,974)
Deferred outflows	3,716,752
• Long-term liabilities 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	(5,921,025)
Tax increment financing bonds payable	(4,285,000)
Capital leases payable	(215,418)
Accrued interest on long-term obligations	(52,027)
Estimated liability for landfill postclosure care costs	(12,995)
Other post-employment benefits payable	(7,778,539)
Compensated absences payable	(3,584,435)
Net pension liability	<u>(34,847,485)</u>
Net position of governmental activities	<u>\$ 92,715,818</u>

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

TOWN OF DERRY, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2016

	General <u>Fund</u>	Other Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Taxes	\$ 23,074,561	\$ 76,455	\$ 23,151,016
Licenses and permits	6,058,043	639,779	6,697,822
Intergovernmental	2,697,254	136,161	2,833,415
Charges for services	1,854,958	1,311	1,856,269
Interest and investment income	295,656	323,230	618,886
Miscellaneous	439,649	68,936	508,585
Total Revenues	<u>34,420,121</u>	<u>1,245,872</u>	<u>35,665,993</u>
Expenditures:			
Current operations:			
General government	4,960,842	238,606	5,199,448
Public safety	18,344,632	41,476	18,386,108
Highways and streets	3,823,925	160,316	3,984,241
Health and welfare	565,817	71,452	637,269
Sanitation	1,781,906	27,772	1,809,678
Culture and recreation	2,714,726	53,124	2,767,850
Conservation	5,560	4,200	9,760
Economic development	112,853	116,571	229,424
Capital outlay	587,111	2,395,669	2,982,780
Debt service:			
Principal retirement	1,584,468	-	1,584,468
Interest and fiscal charges	376,303	-	376,303
Intergovernmental	-	50,980	50,980
Total Expenditures	<u>34,858,143</u>	<u>3,160,166</u>	<u>38,018,309</u>
Excess (deficiency) of revenues over expenditures	(438,022)	(1,914,294)	(2,352,316)
Other Financing Sources (Uses):			
Issuance of refunding debt	1,475,000	-	1,475,000
Payments to refunding escrow agent	(1,428,151)	-	(1,428,151)
Proceeds from sale of capital assets	350,177	-	350,177
Transfers in	143,802	144,967	288,769
Transfers out	(2,655,706)	(128,176)	(2,783,882)
Total Other Financing Sources (Uses)	<u>(2,114,878)</u>	<u>16,791</u>	<u>(2,098,087)</u>
Change in fund balance	(2,552,900)	(1,897,503)	(4,450,403)
Fund Balance at beginning of year	<u>24,621,780</u>	<u>11,988,956</u>	<u>36,610,736</u>
Fund Balance at end of year	<u>\$ 22,068,880</u>	<u>\$ 10,091,453</u>	<u>\$ 32,160,333</u>

The accompanying notes are an integral part of these 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, 2016

Net changes in fund balances - Total governmental funds \$ (4,450,403)

Amounts reported for governmental activities in the statement of activities are different because:

<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. 	
Capital asset purchases, net	3,555,881
Depreciation	(1,861,179)
<ul style="list-style-type: none"> • 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. 	(9,337)
<ul style="list-style-type: none"> • Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds. 	356,431
<ul style="list-style-type: none"> • 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 Position. 	1,584,468
<ul style="list-style-type: none"> • In the Statement of Activities, interest is accrued on outstanding bonds and capital leases, whereas in governmental funds, an interest expenditure is reported when paid. 	23,656
<ul style="list-style-type: none"> • Pension and OPEB related inflows and outflows are not recorded as expenses in the statement of activities, but are recorded as expenditures in governmental funds. 	
Net pension liability	(2,313,428)
Pension related deferred outflows & inflows	3,067,423
Other post-employment benefits	(1,032,824)
<ul style="list-style-type: none"> • 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	146,155
Estimated liability for landfill post-closure care costs	12,741
Other	(18,140)
Change in net position of governmental activities	<u><u>\$ (938,556)</u></u>

The accompanying notes are an integral part of these 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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues:				
Taxes	\$ 22,826,740	\$ 22,826,740	\$ 23,074,561	\$ 247,821
Licenses and permits	5,706,408	5,706,408	6,328,312	621,904
Intergovernmental	2,709,463	2,709,463	2,697,254	(12,209)
Charges for services	2,036,128	2,036,128	1,854,958	(181,170)
Miscellaneous	533,892	533,892	735,305	201,413
Total Revenues	33,812,631	33,812,631	34,690,390	877,759
Expenditures:				
Prevention and emergency services	11,361,051	11,361,051	10,778,300	582,751
Emergency management	57,024	57,024	42,401	14,623
Police and animal control	8,742,012	8,742,012	7,872,444	869,568
Executive	1,253,176	1,253,176	1,168,430	84,746
Finance	4,465,767	5,934,003	5,682,469	251,534
Town clerk and elections	185,638	185,638	175,714	9,924
Libraries	1,412,190	1,412,190	1,401,359	10,831
Planning	266,387	266,387	254,112	12,275
Tax increment financing district	246,838	743,775	740,375	3,400
Public works	8,615,234	11,434,235	11,432,041	2,194
Total Expenditures	36,605,317	41,389,491	39,547,645	1,841,846
Excess (deficiency) of revenues over expenditures	(2,792,686)	(7,576,860)	(4,857,255)	2,719,605
Other Financing Sources (Uses:)				
Use of fund balance	1,871,105	6,628,430	-	(6,628,430)
Proceeds from sale of capital assets	508,000	508,000	337,877	(170,123)
Issuance of refunding bond	-	1,475,000	1,475,000	-
Payment to escrow	-	(1,428,151)	(1,428,151)	-
Transfers in	398,181	378,181	331,403	(46,778)
Other financing sources	15,400	15,400	12,300	(3,100)
Total Other Financing Sources	2,792,686	7,576,860	728,429	(6,848,431)
Excess of revenues and other sources over expenditures	\$ -	\$ -	\$ (4,128,826)	\$ (4,128,826)

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

TOWN OF DERRY, NEW HAMPSHIRE
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 JUNE 30, 2016

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Assets:			
Current:			
Investments	\$ 28,320	\$ 475,863	\$ 504,183
Accounts receivable, net	318,218	290,515	608,733
Due from other governments	-	126,762	126,762
Due from other funds	5,567,789	1,709,739	7,277,528
Prepaid items	7,430	10,522	17,952
Total current assets	5,921,757	2,613,401	8,535,158
Noncurrent:			
Accounts receivable, net	138,947	36,380	175,327
Due from other governments	-	616,900	616,900
Non-depreciable capital assets	408,175	577,755	985,930
Depreciable capital assets, net	12,203,743	18,794,852	30,998,595
Total noncurrent assets	12,750,865	20,025,887	32,776,752
TOTAL ASSETS	18,672,622	22,639,288	41,311,910
Deferred Outflows of Resources	75,709	81,807	157,516
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 18,748,331	\$ 22,721,095	\$ 41,469,426
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
Liabilities:			
Current:			
Accounts payable	\$ 190,648	\$ 59,852	\$ 250,500
Accrued expenses	10,008	10,508	20,516
Retainage payable	53,495	50,152	103,647
Current portion of long-term liabilities:			
Bonds payable	146,088	324,857	470,945
Capital lease	11,069	11,069	22,138
Compensated absences	23,355	23,355	46,710
Total current liabilities	434,663	479,793	914,456
Noncurrent:			
Bonds payable	2,072,492	3,332,465	5,404,957
Capital leases payable	22,869	22,869	45,738
Compensated absences	75,895	75,895	151,790
Other post-employment benefits payable	352,732	276,071	628,803
Net pension liability	709,834	767,004	1,476,838
Total noncurrent liabilities	3,233,822	4,474,304	7,708,126
TOTAL LIABILITIES	3,668,485	4,954,097	8,622,582
Deferred Inflows of Resources	54,244	58,613	112,857
Net Position:			
Net investment in capital assets	10,359,400	15,681,347	26,040,747
Unrestricted	4,666,202	2,027,038	6,693,240
TOTAL NET POSITION	15,025,602	17,708,385	32,733,987
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 18,748,331	\$ 22,721,095	\$ 41,469,426

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

TOWN OF DERRY, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities Enterprise Funds		
	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
Operating Revenues:			
Charges for services	\$ 2,573,530	\$ 2,066,772	\$ 4,640,302
Miscellaneous	<u>16,515</u>	<u>55,810</u>	<u>72,325</u>
Total Operating Revenues	2,590,045	2,122,582	4,712,627
Operating Expenses:			
Personnel services	839,745	914,959	1,754,704
Repairs and maintenance	173,724	271,586	445,310
Materials and supplies	86,533	48,553	135,086
Utilities	860,384	247,487	1,107,871
Depreciation	270,054	526,827	796,881
Miscellaneous	<u>83,660</u>	<u>93,051</u>	<u>176,711</u>
Total Operating Expenses	<u>2,314,100</u>	<u>2,102,463</u>	<u>4,416,563</u>
Operating Income	275,945	20,119	296,064
Nonoperating Revenues (Expenses):			
Interest revenue	21,338	13,858	35,196
Intergovernmental revenue	26,612	10,543	37,155
Gain on sale of asset	11,600	-	11,600
Interest expense	<u>(60,876)</u>	<u>(130,180)</u>	<u>(191,056)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(1,326)</u>	<u>(105,779)</u>	<u>(107,105)</u>
Income (Loss) Before Capital Contributions and Transfers	274,619	(85,660)	188,959
Capital contributions	-	62,915	62,915
Transfers out	-	(13,887)	(13,887)
Transfers in	<u>2,509,000</u>	<u>-</u>	<u>2,509,000</u>
Change in Net Position	2,783,619	(36,632)	2,746,987
Net Position at Beginning of Year	<u>12,241,983</u>	<u>17,745,017</u>	<u>29,987,000</u>
Net Position at End of Year	<u>\$ 15,025,602</u>	<u>\$ 17,708,385</u>	<u>\$ 32,733,987</u>

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

TOWN OF DERRY, NEW HAMPSHIRE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Cash received from customers	\$ 2,440,345	\$ 2,003,305	\$ 4,443,650
Other operating cash receipts	16,515	55,810	72,325
Cash received for interfund services provided	148,961	(61,971)	86,990
Cash paid to suppliers	(1,178,866)	(658,560)	(1,837,426)
Cash paid to employees	(839,369)	(908,036)	(1,747,405)
	587,586	430,548	1,018,134
Net Cash Provided by (Used in) Operating Activities			
<u>Cash Flows From Noncapital Financing Activities:</u>			
Intergovernmental revenue	31,577	70,517	102,094
Transfers from other funds	-	(13,888)	(13,888)
	31,577	56,629	88,206
Net Cash Provided by (Used in) Noncapital Financing Activities			
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Capital contributions	11,600	62,915	74,515
Purchases of capital assets	(434,086)	(170,949)	(605,035)
Principal paid on bonds payable	(139,858)	(325,142)	(465,000)
Payment to escrow agent for refunded debt	-	(500,000)	(500,000)
Proceeds of refunded debt	-	525,000	525,000
Principal paid on capital lease obligations	(10,832)	(10,832)	(21,664)
Interest paid on long-term debt	(64,611)	(132,390)	(197,001)
	(637,787)	(551,398)	(1,189,185)
Net Cash Provided by (Used in) Capital and Related Financing Activities			
<u>Cash Flows From Investing Activities:</u>			
Sale (purchase) of investments	(2,715)	50,364	47,649
Interest on investments	21,339	13,857	35,196
	18,624	64,221	82,845
Net Cash Provided By Investing Activities			
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 in) Operating Activities:</u>			
Operating income	\$ 275,945	\$ 20,119	\$ 296,064
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation expense	270,054	526,827	796,881
Changes in assets and liabilities:			
Accounts receivable, net	(133,185)	(63,467)	(196,652)
Due from other funds	148,961	(61,971)	86,990
Prepaid items	(3,622)	(5,884)	(9,506)
Accounts payable	51,374	16,961	68,335
Accrued expenses	(1,358)	576	(782)
Retainage payable	(20,959)	(9,536)	(30,495)
Compensated absences	8,532	8,532	17,064
Other post-employment benefits	30,254	29,560	59,814
Net pension liability	(38,410)	(31,169)	(69,579)
	587,586	430,548	1,018,134
Net Cash Provided by (Used in) Operating Activities	\$ 587,586	\$ 430,548	\$ 1,018,134

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

TOWN OF DERRY, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2016

	Private Purpose Trust Funds	Agency Funds
<u>ASSETS</u>		
Cash and cash equivalents	\$ -	\$ 448,938
Investments	<u>470,254</u>	<u>184,576</u>
Total Assets	<u>\$ 470,254</u>	<u>\$ 633,514</u>
<u>LIABILITIES</u>		
Due to other governments	\$ -	\$ 184,576
Deposits held for others	<u>-</u>	<u>448,938</u>
Total Liabilities	-	633,514
<u>NET POSITION</u>		
Held in trust	<u>470,254</u>	<u>-</u>
Total Liabilities and Net Position	<u>\$ 470,254</u>	<u>\$ 633,514</u>

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

TOWN OF DERRY, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSTION
 FOR THE YEAR ENDED JUNE 30, 2016

	Private Purpose Trust <u>Funds</u>
Additions:	
Investment earnings:	
Investment income	\$ 49,877
Net increase in the fair value of investments	<u>(23,608)</u>
Total investment earnings	26,269
Less investment expense	<u>(2,572)</u>
Net investment earnings	23,697
Contributions	<u>24,074</u>
Total additions	47,771
 Deductions:	
Benefits	<u>6,744</u>
Total deductions	<u>6,744</u>
Change in net position	41,027
 Net position:	
Beginning of year	<u>429,227</u>
End of year	<u><u>\$ 470,254</u></u>

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

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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 Town is a municipal corporation governed by an elected Town Council. As required by generally accepted accounting principles, these financial statements present the Town and applicable component units for which the Town is considered to be financially accountable. In fiscal year June 30, 2016, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

The Town of Derry, New Hampshire (the Town) was incorporated in 1827. In March 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 Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. 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 Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental fund:

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

The Town 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.

The *agency funds* are established to account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others.

D. Cash, Cash Equivalents and 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, money market 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.

The Town considers investments with original maturities of three months or less to be short-term investments. 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.

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. The Town's investments consist of non-negotiable certificates of deposit which are reported at cost.

Investments for the Trust Funds consist of marketable securities and bonds which are carried at market value based on quoted prices in an active market at June 30, 2016.

E. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as 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".

F. Prepaid Items

Payments made to vendors for services that will benefit periods beyond June 30, 2016 are recorded as prepaid items. Prepaid items are recognized using the consumption method.

G. 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.

H. 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 Town 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 acquisition 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.

Capital is 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

I. Compensated Absences

It is the Town'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.

J. Long-Term Obligations

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

K. Fund Equity

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

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. 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 (for pre-paid items and noncurrent receivables) or can never be spent (for parks and playgrounds, perpetual care, and other principal portions of permanent funds).
- 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, the Town Council. Subsequent Town Council 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 a fund balance policy that permits management to assign fund balance amounts to a specific purpose as authorized by the Town Administrator, although fund balance to be applied against a subsequent year's budget is voted by Town Council.
- 5) Unassigned funds are available to be spent in future periods.

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

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

L. 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 inter-

est on municipal bonds remained unchanged. The factor is now based on the Northeast Region CPI as a result of the Charter Amendment approved by voters in March 2013.

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)	\$ 34,420,121	\$ 34,858,143
Other financing sources/uses (GAAP Basis)	<u>1,968,980</u>	<u>4,083,857</u>
Subtotal (GAAP Basis)	36,389,101	38,942,000
Reverse expenditures of prior year appropriation carryforwards	-	(114,898)
To book current year appropriation carryforwards	-	1,690,825
To gross up transfers for budgetary presentation	<u>457,869</u>	<u>457,869</u>
Budgetary Basis	<u><u>\$ 36,846,970</u></u>	<u><u>\$ 40,975,796</u></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."

As of June 30, 2016, \$34,978,318 of the Town's bank balance of \$38,603,851 was insured or collateralized.

As of June 30, 2016, the Trust cash equivalent bank balance of \$3,625,533 was exposed to custodial credit risk as uninsured or uncollateralized.

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's investments of \$30,307,776 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, and U.S. Government agencies, 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.):

Investment Type	Fair Value	Exempt From Disclosure	Rating as of Year-end		
			Aaa	Aa-Aa3	A-A3
Corporate bonds	\$ 1,889,386	\$ -	\$ 791,362	\$ 613,585	\$ 484,439
Municipal bonds	316,187	-	150,404	-	165,783
U.S. Treasury notes	5,673,162	-	5,673,162	-	-
Federal agency securities	3,005,968	-	3,005,968	-	-
Corporate equities	3,869,405	3,869,405	N/A	N/A	N/A
Certificates of deposit	15,553,668	15,553,668	N/A	N/A	N/A
Total investments	<u>\$ 30,307,776</u>	<u>\$ 19,423,073</u>	<u>\$ 9,620,896</u>	<u>\$ 613,585</u>	<u>\$ 650,222</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 at June 30, 2016.

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. The Town's investments include certificates of deposits.

Information about the sensitivity of the fair values of the Trust's debt related securities to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Debt-related Securities:				
Corporate bonds	\$ 1,889,386	\$ -	\$ 1,729,019	\$ 160,367
Municipal bonds	316,187	-	316,187	-
U.S. Treasury notes	5,673,162	2,699,504	2,973,658	-
Federal agency securities	<u>3,005,968</u>	<u>998,390</u>	<u>2,007,578</u>	<u>-</u>
Total	<u>\$ 10,884,703</u>	<u>\$ 3,697,894</u>	<u>\$ 7,026,442</u>	<u>\$ 160,367</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.

F. Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following fair value measurements as of June 30, 2016:

<u>Description</u>	<u>Fair Value Measurements Using:</u>		
	Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>
Investments by fair value level:			
Debt securities			
Corporate bonds	\$ 1,889,386	\$ -	\$ 1,889,386
Municipal bonds	316,187	-	316,187
U.S. Treasury securities	5,673,162	-	5,673,162
U.S. Government Agencies	3,005,968	-	3,005,968
Equity securities:			
Corporate Equities	<u>3,869,405</u>	3,869,405	-
Total	\$ <u>14,754,108</u>		

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, 2016 consist of the following:

Real estate 2016	\$ 4,601,423
Tax liens	1,539,758
Elderly and disabled deferred	79,366
Yield	2,406
Land use change	<u>1,595</u>
Total	\$ <u>6,224,548</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 estimated allowances for doubtful accounts. Governmental activities reflect an allowance of \$1,212,160 for ambulance, welfare liens, and other accounts receivable while business-type activities reflect an allowance of \$3,751 for user fees.

6. Due From Other Governments

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2016.

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, 2016 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	\$ -	\$ 9,483,462
Nonmajor Funds:		
Special Revenue Funds:		
Derry Public Library	107,517	-
Taylor Public Library	131,225	-
Cable Television	644,457	-
Conservation Commission	454,829	-
Public Safety Grants	45,884	-
Miscellaneous Grants	42,628	-
Waste Tire Reclamation	6,328	-
Transportation Improvement	-	41,440
Capital Project Funds:		
Rail Trail	122,055	-
Bridge Improvements	595,782	-
Transfer Station Facility	87,618	8,280
Rockingham Rd Reconstruction	24,173	-
Permanent Funds:		
Parks and Playgrounds	-	6,842
Subtotal Nonmajor Funds	<u>2,262,496</u>	<u>56,562</u>
Total Governmental Funds	2,262,496	9,540,024

Business-Type Activities:		
Water Fund	5,567,789	-
Sewer Fund	<u>1,709,739</u>	<u>-</u>
Total Business-Type Activities	<u>7,277,528</u>	<u>-</u>
Grand Total	<u>\$ 9,540,024</u>	<u>\$ 9,540,024</u>

The Town 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 2016.

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 143,802	\$ 2,655,706
Nonmajor Funds:		
Special Revenue Funds:		
Derry Public Library	356	-
Public Health	193	-
Public Safety Grants	138	-
Miscellaneous Grants	11,000	-
Waste Tire Reclamation	8,280	-
Transportation Improvement	-	-
Rockingham Economic Development Corporation	-	56
Capital Project Funds:		
Rail Trail	125,000	-
Transfer Station Facility	-	8,280
Permanent Funds:		
General Cemetery Care	-	44,625
Parks and Playgrounds	-	56,878
Libraries	-	1,837
Highways and Streets	-	15,000
Human Services	<u>-</u>	<u>1,500</u>
Subtotal Nonmajor Funds	<u>144,967</u>	<u>128,176</u>
Total Governmental Funds	288,769	2,783,882
Business-Type Activities:		
Water Fund	2,509,000	-
Sewer Fund	<u>-</u>	<u>13,887</u>
Total Business-Type Activities	<u>2,509,000</u>	<u>13,887</u>
Grand Total	<u>\$ 2,797,769</u>	<u>\$ 2,797,769</u>

Transfers are used to move unrestricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations. The transfer into the Water fund, from the general fund, represents a \$2,509,000 appropriation of unassigned fund balance to fund the Route 28 water systems improvements. The Rail Trail project was funded by a \$125,000 transfer in from general fund capital reserves.

8. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows (in thousands):

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 7,930	\$ -	\$ -	\$ 7,930
Infrastructure and other assets	78,476	635	(9)	79,102
Construction in progress	1,618	2,299	(3,890)	27
Intangibles	<u>2,615</u>	<u>386</u>	<u>-</u>	<u>3,001</u>
Total capital assets, not being depreciated	90,639	3,320	(3,899)	90,060
Other capital assets:				
Buildings and improvements	18,069	1,889	-	19,958
Equipment and vehicles	13,415	1,028	(19)	14,424
Infrastructure and other assets	11,730	1,209	-	12,939
Intangibles	<u>706</u>	<u>-</u>	<u>-</u>	<u>706</u>
Total other capital assets at historical cost	43,920	4,126	(19)	48,027
Less accumulated depreciation for:				
Buildings and improvements	(6,950)	(547)	-	(7,497)
Equipment and vehicles	(9,785)	(877)	19	(10,643)
Infrastructure and other assets	(4,278)	(422)	-	(4,700)
Intangibles	<u>(668)</u>	<u>(15)</u>	<u>-</u>	<u>(683)</u>
Total accumulated depreciation	<u>(21,681)</u>	<u>(1,861)</u>	<u>19</u>	<u>(23,523)</u>
Total other capital assets, net	<u>22,239</u>	<u>2,265</u>	<u>-</u>	<u>24,504</u>
Total capital assets, net	<u>\$ 112,878</u>	<u>\$ 5,585</u>	<u>\$ (3,899)</u>	<u>\$ 114,564</u>

	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 202	\$ -	\$ -	\$ 202
Construction in progress	3,518	529	(3,925)	122
Intangibles	661	1		662
	<u>4,381</u>	<u>530</u>	<u>(3,925)</u>	<u>986</u>
Total capital assets, not being depreciated				
Other capital assets:				
Buildings and improvements	160	-	-	160
Equipment and vehicles	1,240	39	(33)	1,246
Infrastructure	42,683	3,929	-	46,612
Intangibles	-	38	-	38
	<u>44,083</u>	<u>4,006</u>	<u>(33)</u>	<u>48,056</u>
Total other capital assets at historical cost				
Less accumulated depreciation for:				
Buildings and improvements	(45)	(4)	-	(49)
Equipment and vehicles	(659)	(108)	27	(740)
Infrastructure and other assets	(15,584)	(682)	-	(16,266)
Intangibles	-	(2)	-	(2)
	<u>(16,288)</u>	<u>(796)</u>	<u>27</u>	<u>(17,057)</u>
Total accumulated depreciation				
Total other capital assets, net	<u>27,795</u>	<u>3,210</u>	<u>(6)</u>	<u>30,999</u>
Total capital assets, net	<u>\$ 32,176</u>	<u>\$ 3,740</u>	<u>\$ (3,931)</u>	<u>\$ 31,985</u>

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

Governmental Activities:	
General government	\$ 394
Public safety	654
Highway	355
Health and welfare	4
Sanitation	114
Culture and recreation	<u>340</u>
Total depreciation expense - governmental activities	<u>\$ 1,861</u>
 Business-Type Activities:	
Water	\$ 270
Sewer	<u>526</u>
Total depreciation expense - business-type activities	<u>\$ 796</u>

9. Deferred Outflows of Resources

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

The following is a summary of deferred outflows of resources balances as of June 30, 2016:

	<u>Entity-wide Basis</u>		<u>Fund Basis</u>	
	<u>Governmental</u>	<u>Business-type</u>	<u>Proprietary Funds</u>	
	<u>Activities</u>	<u>Activities</u>	<u>Water</u>	<u>Sewer</u>
Pension related:				
Changes in proportion	\$ 427,542	\$ 18,119	\$ 8,709	\$ 9,410
Pension contributions subsequent to measurement date	<u>3,289,210</u>	<u>139,397</u>	<u>67,000</u>	<u>72,397</u>
Total deferred outflows	<u>\$ 3,716,752</u>	<u>\$ 157,516</u>	<u>\$ 75,709</u>	<u>\$ 81,807</u>

10. Accounts Payable and Accrued Expenditures/Expenses

Accounts payable and accrued expenses represent 2016 expenditures paid after fiscal 2016.

11. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2019. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2016:

	<u>Governmental</u>	<u>Business-Type</u>
	<u>Activities</u>	<u>Activities</u>
2017	\$ 163,430	\$ 23,624
2018	39,581	23,624
2019	<u>18,668</u>	<u>23,624</u>
Total minimum lease payments	221,679	70,872
Less amounts representing interest	<u>(6,261)</u>	<u>(2,996)</u>
Present Value of Minimum Lease Payments	<u>\$ 215,418</u>	<u>\$ 67,876</u>

The following is an analysis for the leased assets included in capital assets at June 30, 2016:

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>
Machinery, vehicles and equipment	\$ 945,633	\$ 419,553
Less: accumulated depreciation	<u>(113,163)</u>	<u>(19,803)</u>
Equipment under capital leases, net	<u>\$ 832,470</u>	<u>\$ 399,750</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 6/30/16</u>
Land Purchase	01/15/19	4.00 - 4.80%	\$ 1,735,000	\$ 75,000
Humphrey Field House	01/15/20	5.375 - 5.75%	\$ 1,890,000	370,000
Humphrey Road Complex	01/15/21	4.75 - 5.25%	\$ 489,605	115,000
Municipal Services Infrastructure	03/15/24	3.20 - 4.00%	\$ 1,500,000	600,000
Transfer Station & Rockingham Rd	05/01/33	2.00 - 2.80%	\$ 4,000,000	3,400,000
Municipal Center - Refunding	02/01/21	1.00 - 1.30%	\$ 1,250,000	735,000
Police Station Addition - Refunding	04/15/26	1.99%	\$ 525,000	515,000
Total Governmental Activities, excluding TIF:				<u>\$ 5,810,000</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 6/30/16</u>
Route 28 Corridor	11/15/31	2.00 - 3.50%	\$ 3,400,000	\$ 3,400,000
Ash Street - Refunding	04/15/20	1.63%	\$ 950,000	885,000
Total Governmental Activities TIF:				<u>\$ 4,285,000</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 6/30/16</u>
<u>Water Fund:</u>				
Water Main Upgrade	08/15/18	3.90 - 5.00%	\$ 1,000,000	\$ 150,000
Woodlands and Rt 28	05/01/33	2.00 - 2.80%	500,000	440,000
Rt 28 Water Expansions	05/01/28	2.00 - 3.00%	1,718,500	1,581,778
<u>Sewer Fund:</u>				
Wastewater Force Main	05/15/23	2.50 - 3.25%	3,700,000	1,295,000
Wastewater Extension Rt 28	05/01/33	2.00 - 2.80%	250,000	220,000
Rt 28 Wastewater Expansions	05/01/28	2.00 - 3.00%	1,725,500	1,588,222
Wastewater Effluent Upgrade - Refunding	04/15/26	1.99%	525,000	515,000
Total Business-Type Activities:				<u>\$ 5,790,000</u>

C. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2016 are as follows:

<u>Governmental (non-TIF)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 635,000	\$ 147,517	\$ 782,517
2018	630,000	130,024	760,024
2019	615,000	112,867	727,867
2020	577,500	95,860	673,360
2021	482,500	80,200	562,700
2022-2026	1,470,000	270,028	1,740,028
2027-2031	1,000,000	131,750	1,131,750
2032-2033	400,000	16,700	416,700
Total	<u>\$ 5,810,000</u>	<u>\$ 984,946</u>	<u>\$ 6,794,946</u>

Debt service requirements to retire tax increment financing bonds for governmental activities at June 30, 2016 are as follows:

<u>Governmental TIF</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 430,000	\$ 107,315	\$ 537,315
2018	435,000	98,309	533,309
2019	435,000	90,423	525,423
2020	445,000	82,537	527,537
2021	215,000	73,950	288,950
2022-2026	1,065,000	285,931	1,350,931
2027-2031	1,050,000	126,000	1,176,000
2032	210,000	3,675	213,675
Total	<u>\$ 4,285,000</u>	<u>\$ 868,140</u>	<u>\$ 5,153,140</u>

Debt Service requirements to retire business-type activities bonds payable at June 30, 2016 are as follows:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 465,000	\$ 170,015	\$ 635,015
2018	465,000	156,047	621,047
2019	470,000	142,292	612,292
2020	422,500	129,503	552,003
2021	427,500	117,728	545,228
2022-2026	1,630,000	421,041	2,051,041
2027-2031	1,165,000	236,633	1,401,633
2032-2035	745,000	50,063	795,063
Total	<u>\$ 5,790,000</u>	<u>\$ 1,423,322</u>	<u>\$ 7,213,322</u>

D. Changes in General Long-Term Liabilities

During the year ended June 30, 2016, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 7/1/15	Additions	Refunding	Reductions	Total Balance 6/30/16	Less Current Portion	Equals Long-Term Portion 6/30/16
<u>Governmental Activities</u>							
General obligation bonds payable	\$ 6,520	\$ 525	\$ (500)	\$ (735)	\$ 5,810	\$ (635)	\$ 5,175
Unamortized bond premiums	118	-	-	(7)	111	(7)	104
Subtotal	<u>6,638</u>	<u>525</u>	<u>(500)</u>	<u>(742)</u>	<u>5,921</u>	<u>(642)</u>	<u>5,279</u>
Tax increment financing bonds payable	4,840	950	(950)	(555)	4,285	(430)	3,855
Capital leases payable	510	-	-	(294)	216	(159)	57
Compensated absences	3,731	952	-	(1,098)	3,585	(797)	2,788
Other post-employment benefits	6,746	1,033	-	-	7,779	-	7,779
Net pension liability	32,534	2,313	-	-	34,847	-	34,847
Estimated liability for landfill postclosure care costs	26	-	-	(13)	13	(13)	-
Totals	<u>\$ 55,025</u>	<u>\$ 5,773</u>	<u>\$ (1,450)</u>	<u>\$ (2,702)</u>	<u>\$ 56,646</u>	<u>\$ (2,041)</u>	<u>\$ 54,605</u>

	Total Balance 7/1/15	Additions	Refunding	Reductions	Total Balance 6/30/16	Less Current Portion	Equals Long-Term Portion 6/30/16
<u>Business-Type Activities</u>							
General obligation bonds payable	\$ 6,230	\$ 525	\$ (500)	\$ (465)	\$ 5,790	\$ (465)	\$ 5,325
Unamortized bond premiums	92	-	-	(6)	86	(6)	80
Subtotal	<u>6,322</u>	<u>525</u>	<u>(500)</u>	<u>(471)</u>	<u>5,876</u>	<u>(471)</u>	<u>5,405</u>
Capital leases payable	89	-	-	(21)	68	(22)	46
Compensated absences	182	87	-	(70)	199	(47)	152
Other post-employment benefits	569	60	-	-	629	-	629
Net pension liability	1,399	78	-	-	1,477	-	1,477
Totals	<u>\$ 8,561</u>	<u>\$ 750</u>	<u>\$ (500)</u>	<u>\$ (562)</u>	<u>\$ 8,249</u>	<u>\$ (540)</u>	<u>\$ 7,709</u>

E. Authorized Unissued Debt

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2016 are as follows:

General obligation bonds:

<u>Purpose</u>	<u>Amount</u>
Exit 4A	<u>\$ 3,139,230</u>

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 \$12,995 reported as landfill postclosure care liability at June 30, 2016 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, 2016. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

14. Deferred Inflows of Resources

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

The following is a summary of deferred inflows of resources balances as of June 30, 2016:

	Entity-wide Basis		Fund Basis			
	Governmental	Business-type	Governmental Funds		Proprietary Funds	
	Activities	Activities	General Fund	Nonmajor	Water	Sewer
Taxes collected in advance	\$ 36,779,400	\$ -	\$ 36,779,400	\$ -	\$ -	\$ -
Unavailable revenues, property taxes	-	-	1,404,635	1,595	-	-
Unavailable revenues, loans	-	-	-	228,894	-	-
Pension related:						
Differences between expected and actual experience	764,693	32,408	-	-	15,577	16,831
Net difference between projected and actual pension investment earnings	931,341	39,470	-	-	18,971	20,499
Changes in pension proportion	966,940	40,979	-	-	19,696	21,283
Total deferred inflows	<u>\$ 39,442,374</u>	<u>\$ 112,857</u>	<u>\$ 38,184,035</u>	<u>\$ 230,489</u>	<u>\$ 54,244</u>	<u>\$ 58,613</u>

15. Restricted Net Position

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

Permanent fund restricted net position 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.

16. 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 following types of fund balances are reported at June 30, 2016:

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, as authorized by the Town Administrator per the Fund Balance Policy.

Unassigned - Represents the residual classification for the general fund and include all amounts not contained in the other classifications. Unassigned amounts are available for any purpose. Temporary fund balance deficits are reported as negative amounts in the unassigned classification in other governmental funds. Positive unassigned amounts are reported only in the general fund.

Following is a breakdown of the Town's fund balances at June 30, 2016:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable			
Prepaid expenditures	\$ 92,646	\$ 2,165	\$ 94,811
Property held for resale	323,743	-	323,743
Noncurrent receivable	-	180,154	180,154
Nonexpendable permanent funds:			
General cemetery care	-	2,556,672	2,556,672
Parks and playgrounds	-	3,474,434	3,474,434
All remaining	-	175,417	175,417
Total Nonexpendable	416,389	6,388,842	6,805,231
Restricted			
Bonded projects	6,525	93,979	100,504
Special revenue funds:			
Derry public library	-	108,013	108,013
Taylor library	-	131,575	131,575
Waste tire reclamation	-	387,821	387,821
All remaining	-	128,089	128,089
Expendable permanent funds:			
General cemetery care	-	292,160	292,160
Parks and playgrounds	-	598,896	598,896
All remaining	-	27,911	27,911
Total Restricted	6,525	1,768,444	1,774,969
Committed			
Ash Street TIF	86,332	-	86,332
Route 28 TIF	679,343	-	679,343
Capital reserves	5,959,682	-	5,959,682
Compensated absences	3,584,437	-	3,584,437
Exit 4a	1,166,599	-	1,166,599
Cable television	-	738,532	738,532
Conservation commission	-	454,821	454,821
Economic development loan	-	14,697	14,697
Rail trail	-	122,055	122,055
Bridge improvements	-	595,782	595,782
Transfer station facility	-	8,280	8,280
Total Committed	11,476,393	1,934,167	13,410,560

(continued)

(continued)

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assigned			
Encumbered for:			
General government	168,367	-	168,367
Public safety	16,534	-	16,534
Highway and streets	3,776	-	3,776
Culture and recreation	4,500	-	4,500
Sanitation	4,786	-	4,786
Capital	326,263	-	326,263
Next year's expenditures	593,500	-	593,500
Ashleigh drive repairs	34,675	-	34,675
Forest management	40,586	-	40,586
	<hr/>	<hr/>	<hr/>
Total Assigned	1,192,987	-	1,192,987
Unassigned	8,976,586	-	8,976,586
	<hr/>	<hr/>	<hr/>
Total Fund Balances	\$ 22,068,880	\$ 10,091,453	\$ 32,160,333
	<hr/>	<hr/>	<hr/>

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.

Abatements - There are several cases pending before the NH Board of Tax and Land Appeals in regard to alleged discrepancies in property assessments. According to the Town's counsel, the probable outcome of these 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 Position 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, 2014, the actuarial valuation date, approximately 140 retirees and 166 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town offers 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 pay 100% of the premium in excess of the NHRS Subsidy, if any, with the following exceptions:

- For current Teamsters-Public Works, AFSCME-Staff Support and Professional, Administrative and Technical Employees (PATE) union contracts, as well as non-represented employees, the Town will pay for Medicomp III for retirees when they reach age 65, if the retiree has a minimum 10 years of service with the Town and is qualified to receive retirement benefits from the New Hampshire Retirement System.

Teamsters-Public Works employees hired after June 30, 2013 must work 20 years. Employees hired after July 1, 2010 shall be limited to the amount of the July 1, 2009 Medicomp III premium.

AFSCME-Staff Support - Employees hired after April 23, 2009 must work 20 years and be limited to the July 1, 2009 Medicomp III premium.

- The Town also provides for up to four years of long-term disability coverage for current Teamster-Public Works and PATE union contracts. For Teamsters disabled as of July 1, 2010, the coverage period will be five years.

Retirees pay 100% of life insurance premiums and 100% of their dependents' health insurance premiums.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's fiscal 2016 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, 2016, 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, 2012.

Annual Required Contribution (ARC)	\$ 1,320,877
Interest on net OPEB obligation	329,162
Adjustment to ARC	<u>(276,152)</u>
Annual OPEB cost	1,373,887
Contributions made	<u>(281,249)</u>
Increase in net OPEB obligation	1,092,638
Net OPEB obligation - beginning of year	<u>7,314,704</u>
Net OPEB obligation - end of year	<u><u>\$ 8,407,342</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 1,373,887	20.5%	\$ 8,407,342
2015	\$ 1,290,276	18.2%	\$ 8,370,027
2014	\$ 1,399,244	17.2%	\$ 6,259,381
2013	\$ 1,307,786	17.2%	\$ 5,101,279
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

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2014, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 15,349,044
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u><u>\$ 15,349,044</u></u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.0%</u>
Covered payroll (active plan members)	<u><u>\$ 16,824,900</u></u>
UAAL as a percentage of covered payroll	<u><u>91.2%</u></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 OPEB 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, 2014 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4.5% investment rate of return, inflation rate of 3.75%, and an initial annual healthcare cost trend rate of 8% which decreases to a 5% long-term rate for all healthcare benefits after six years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on an open basis. This has been calculated assuming the amortization payment increases at a rate of 3.75%.

19. Retirement System

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

A. Plan Description

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

eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

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

B. Benefits Provided

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

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

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

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and teachers 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 11.17% to 29.16% of covered compensation. The

Town's contributions to NHRS for the year ended June 30, 2016 was \$3,428,607 which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the NHRS and additions to/ deductions from NHRS' fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

At June 30, 2016, the Town reported a liability of \$36,324,323 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the Town's proportion was 0.904 percent. At June 30, 2016, the Town's proportion was 0.917 percent, which was an increase of 0.013 from its previous year proportion.

For the year ended June 30, 2016, the Town recognized pension expense of \$2,169,033. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u> </u>	<u> </u>
Pension contributions after measurement date	\$ 3,428,607	\$ -
Differences between expended and actual experience	-	797,101
Net difference between projected and actual earnings on pension plan investments	-	970,811
Changes in proportion	<u>445,661</u>	<u>1,007,919</u>
Total	<u>\$ 3,874,268</u>	<u>\$ 2,775,831</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension expense in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	Deferred <u>Outflows</u>	Deferred <u>Inflows</u>
2017	\$ 101,423	\$ 978,729
2018	101,423	978,728
2019	101,422	978,728
2020	101,422	(231,845)
2021	<u>39,971</u>	<u>71,491</u>
Total	\$ <u>445,661</u>	\$ <u>2,775,831</u>

F. Actuarial Assumptions

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

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

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

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

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

Asset Class	Target Allocation Percentage	Weighted Average Average Long-Term Expected Real Rate of Return
Large Cap Equities	22.50 %	3.00%
Small/Mid Cap Equities	7.50	3.00%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.00%
Emerging Int'l Equities	7.00	6.00%
Total international equities	20.00	
Core Bonds	4.50	-0.70%
Short Duration	2.50	-1.00%
Global Multi-Sector Fixed Income	11.00	0.28%
Unconstrained Fixed Income	7.00	0.16%
Total fixed income	25.00	
Private equity	5.00	5.50%
Private debt	5.00	4.50%
Real estate	10.00	3.50%
Opportunistic	5.00	2.75%
Total alternative investments	25.00	
Total	100.00 %	

G. Discount Rate

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

H. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.75%) or 1 percentage-point higher (8.75%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
June 30, 2016	\$ 47,816,251	\$ 36,324,323	\$ 26,527,389

I. Pension Plan Fiduciary Net Position

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

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 Town carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

21. Implementation of New GASB Standard

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, replacing requirements of Statements No. 45 and 57, effective for the Town beginning with its year ending June 30, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB. Management’s current assessment is that this pronouncement will have an impact on the Town’s financial statements by increasing the net OPEB liability, and as a result, decreasing unrestricted net position.

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

June 30, 2016
(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]
06/30/14	\$ -	\$ 15,349,044	\$ 15,349,044	0.0%	\$ 16,824,900	91.2%
06/30/12	\$ -	\$ 13,794,817	\$ 13,794,817	0.0%	\$ 16,341,816	84.4%
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
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016
(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2016	0.917%	\$36,324,323	\$ 18,197,458	199.6%	65.47%
June 30, 2015	0.904%	\$33,932,627	\$ 17,235,414	196.9%	66.32%

Information above is presented as of the most recent measurement date.

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

See Independent Auditors' Report.

TOWN OF DERRY, NEW HAMPSHIRE

**SCHEDULE OF PENSION CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2016
(Unaudited)**

New Hampshire Retirement System					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2016	\$ 3,428,607	\$ 3,428,607	\$ -	\$ 18,197,458	18.8%
June 30, 2015	\$ 3,512,182	\$ 3,512,182	\$ -	\$ 17,235,414	20.4%

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

See Independent Auditors' Report.

TOWN OF DERRY, NEW HAMPSHIRE
Required Supplementary Information
Modified Approach for Infrastructure
Capital Assets
For the Year Ended June 30, 2016

Schedule of Condition Assessment

<u>Fiscal Year of Assessment</u>	<u>Rating</u>	<u>Condition</u>
2015	79	good
2012	75	good
2009	78	good

Comparison of Estimated to Actual Maintenance/Preservation

<u>Year Ending June 30,</u>	<u>Estimated Costs</u>	<u>Actual Costs</u>
2016	\$ 1,448,938	\$ 1,534,567
2015	\$ 1,456,663	\$ 1,276,827
2014	\$ 1,459,764	\$ 1,493,108
2013	\$ 1,407,266	\$ 1,315,482
2012	\$ 1,401,837	\$ 1,374,690
2011	\$ 1,177,443	\$ 1,078,191

See Independent Auditors' Report.

TOWN OF DERRY, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION June 30, 2016

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

See Independent Auditors' Report.

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 2015, 2012, and 2009 reflected a good PCI rating of 79, 75, and 78, respectively.

In fiscal year 2003, the Town council adopted the “good” conditional assessment PCI rating range of 68 to 80 for its roadway maintenance program goal and it also estimated expenditures of \$1,300,000 per year are necessary to sustain the roadways rating level.

The current PCI of 79 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.

The Town has expended an average of \$1,343,660 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.

See Independent Auditors’ Report.

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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: This fund is used to account for cable television franchise fees and other related miscellaneous income and expenses associated with Cable Television.
- Conservation Commission Fund: This fund is used to account for revenue and expenses associated with acquiring and preserving conservation land. This fund receives 100% of Land Use Change Tax (current use) revenue and public donations designated for conservation purposes.
- 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.
- 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.

- Rockingham Economic Development Corporation: This fund is used to account for loan revenue and expenditures associated with economic development for eligible small businesses. This fund is supported by Rockingham Economic Development Corporation who also acts as the Town's agent in administering the loans.

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:

- Rail Trail Fund: This fund is used to account for all costs associated with improving the Derry Rail Trail. Segment 1, which is currently in the engineering phase, will include paving Hood Park to North High Street. Depending on available funds, segment 2 from North High Street to the Londonderry line will be completed at a future date.
- Bridge Improvements Fund: This fund is used to account for the construction of bridges on North High Street, Tsienneto Road and Drew Road. The State of New Hampshire reimbursement to the Town is commonly 80% of eligible expenses.
- Transfer Station Facility Fund: This fund is used to account for capital improvements to the Transfer Station Facility.
- Rockingham Road Reconstruction Fund: This fund is used to account for reconstruction costs of Rockingham Road, bridge, and drainage improvements.

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.

TOWN OF DERRY, NEW HAMPSHIRE

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2016

	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	-	-	-	1,595
Accounts receivable, net	-	-	94,497	-
Due from other governments	-	-	-	-
Due from other funds	107,517	131,225	644,457	454,829
Prepaid items	401	-	-	-
Loans receivable	-	-	-	-
	<u>\$ 108,414</u>	<u>\$ 131,575</u>	<u>\$ 738,954</u>	<u>\$ 456,424</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ 422	\$ 8
Accrued expenditures	-	-	-	-
Due to other funds	-	-	-	-
	<u>-</u>	<u>-</u>	<u>422</u>	<u>8</u>
Total Liabilities	-	-	422	8
Deferred Inflows of Resources	-	-	-	1,595
Fund Balances:				
Nonspendable	401	-	-	-
Restricted	108,013	131,575	-	-
Committed	-	-	738,532	454,821
	<u>108,414</u>	<u>131,575</u>	<u>738,532</u>	<u>454,821</u>
Total Fund Balances	108,414	131,575	738,532	454,821
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 108,414</u>	<u>\$ 131,575</u>	<u>\$ 738,954</u>	<u>\$ 456,424</u>

Special Revenue Funds

<u>Public Health Fund</u>	<u>Public Safety Grants Fund</u>	<u>Miscellaneous Grants Fund</u>
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	11,630	-
-	45,884	42,628
-	-	1,764
-	-	-
<u>\$ -</u>	<u>\$ 57,514</u>	<u>\$ 44,392</u>
\$ -	\$ 6,151	\$ 4,267
-	-	-
-	-	-
<u>-</u>	<u>6,151</u>	<u>4,267</u>
-	-	-
-	-	1,764
-	51,363	38,361
-	-	-
<u>-</u>	<u>51,363</u>	<u>40,125</u>
<u>\$ -</u>	<u>\$ 57,514</u>	<u>\$ 44,392</u>

(continued)

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	<u>Special Revenue Funds</u>			
	<u>Waste Tire Reclamation Fund</u>	<u>Transportation Improvement Fund</u>	<u>Rockingham Economic Development Corporation</u>	<u>Total Nonmajor Special Revenue Funds</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 846
Investments	381,493	79,805	-	461,298
Taxes receivable	-	-	-	1,595
Accounts receivable, net	-	-	-	94,497
Due from other governments	-	-	-	11,630
Due from other funds	6,328	-	-	1,432,868
Prepaid items	-	-	-	2,165
Loans receivable	-	-	245,331	245,331
Total Assets	<u>\$ 387,821</u>	<u>\$ 79,805</u>	<u>\$ 245,331</u>	<u>\$ 2,250,230</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 10,848
Accrued expenditures	-	-	1,740	1,740
Due to other funds	-	41,440	-	41,440
Total Liabilities	-	41,440	1,740	54,028
Deferred Inflows of Resources	-	-	228,894	230,489
Fund Balances:				
Nonspendable	-	-	-	2,165
Restricted	387,821	38,365	-	755,498
Committed	-	-	14,697	1,208,050
Total Fund Balances	<u>387,821</u>	<u>38,365</u>	<u>14,697</u>	<u>1,965,713</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 387,821</u>	<u>\$ 79,805</u>	<u>\$ 245,331</u>	<u>\$ 2,250,230</u>

Capital Project Funds

<u>Rail Trail Fund</u>	<u>Bridge Improvements Fund</u>	<u>Transfer Station Facility Fund</u>	<u>Rockingham Road Reconstruction Fund</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	180,154	-	-	180,154
122,055	595,782	87,618	24,173	829,628
-	-	-	-	-
-	-	-	-	-
<u>\$ 122,055</u>	<u>\$ 775,936</u>	<u>\$ 87,618</u>	<u>\$ 24,173</u>	<u>\$ 1,009,782</u>
\$ -	\$ -	\$ -	\$ 1,252	\$ 1,252
-	-	-	-	-
-	-	8,280	-	8,280
-	-	8,280	1,252	9,532
-	-	-	-	-
-	180,154	-	-	180,154
-	-	71,058	22,921	93,979
<u>122,055</u>	<u>595,782</u>	<u>8,280</u>	<u>-</u>	<u>726,117</u>
<u>122,055</u>	<u>775,936</u>	<u>79,338</u>	<u>22,921</u>	<u>1,000,250</u>
<u>\$ 122,055</u>	<u>\$ 775,936</u>	<u>\$ 87,618</u>	<u>\$ 24,173</u>	<u>\$ 1,009,782</u>

(continued)

(continued)

	<u>Permanent Funds</u>		
	<u>General Cemetery Care</u>	<u>Parks and Playgrounds</u>	<u>Libraries</u>
<u>ASSETS</u>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	2,848,832	4,080,172	104,117
Taxes receivable	-	-	-
Accounts receivable, net	-	-	-
Due from other governments	-	-	-
Due from other funds	-	-	-
Prepaid items	-	-	-
Loans receivable	-	-	-
Total Assets	<u>\$ 2,848,832</u>	<u>\$ 4,080,172</u>	<u>\$ 104,117</u>
<u>LIABILITIES AND FUND EQUITY</u>			
Liabilities:			
Accounts payable	\$ -	\$ -	\$ -
Accrued expenditures	-	-	-
Due to other funds	-	6,842	-
Total Liabilities	-	6,842	-
Deferred Inflows of Resources	-	-	-
Fund Balances:			
Nonspendable	2,556,672	3,474,434	95,346
Restricted	292,160	598,896	8,771
Committed	-	-	-
Total Fund Balances	<u>2,848,832</u>	<u>4,073,330</u>	<u>104,117</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,848,832</u>	<u>\$ 4,080,172</u>	<u>\$ 104,117</u>

<u>Permanent Funds</u>			Grand Total Nonmajor Governmental Funds
<u>Highways and Streets</u>	<u>Human Services</u>	<u>Total Nonmajor Permanent Funds</u>	
\$ -	\$ -	\$ -	\$ 846
36,869	62,342	7,132,332	7,593,630
-	-	-	1,595
-	-	-	94,497
-	-	-	191,784
-	-	-	2,262,496
-	-	-	2,165
-	-	-	245,331
<u>\$ 36,869</u>	<u>\$ 62,342</u>	<u>\$ 7,132,332</u>	<u>\$ 10,392,344</u>
\$ -	\$ -	\$ -	\$ 12,100
-	-	-	1,740
-	-	6,842	56,562
-	-	6,842	70,402
-	-	-	230,489
31,533	48,538	6,206,523	6,388,842
5,336	13,804	918,967	1,768,444
-	-	-	1,934,167
<u>36,869</u>	<u>62,342</u>	<u>7,125,490</u>	<u>10,091,453</u>
<u>\$ 36,869</u>	<u>\$ 62,342</u>	<u>\$ 7,132,332</u>	<u>\$ 10,392,344</u>

TOWN OF DERRY, NEW HAMPSHIRE

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

Nonmajor Governmental Funds

For the Year Ended June 30, 2016

	Special Revenue Funds			
	Derry Public Library <u>Fund</u>	Taylor Library <u>Fund</u>	Cable Television <u>Fund</u>	Conservation Commission <u>Fund</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 76,455
Licenses and permits	1,900	-	367,610	-
Intergovernmental	-	-	-	-
Charges for services	1,221	40	50	-
Investment income (loss)	564	727	-	3,931
Miscellaneous	<u>27,938</u>	<u>348</u>	<u>384</u>	<u>116</u>
Total Revenues	31,623	1,115	368,044	80,502
Expenditures:				
Current:				
General government	-	-	222,108	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Sanitation	-	-	-	-
Culture and recreation	16,655	-	-	-
Conservation	-	-	-	4,200
Economic development	-	-	-	-
Capital outlay	-	-	35,747	386,000
Intergovernmental	<u>-</u>	<u>-</u>	<u>50,980</u>	<u>-</u>
Total Expenditures	<u>16,655</u>	<u>-</u>	<u>308,835</u>	<u>390,200</u>
Excess (deficiency) of revenues over expenditures	14,968	1,115	59,209	(309,698)
Other Financing Sources (Uses):				
Transfers in	356	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>356</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	15,324	1,115	59,209	(309,698)
Fund balances at beginning of year	<u>93,090</u>	<u>130,460</u>	<u>679,323</u>	<u>764,519</u>
Fund Balances at end of year	<u>\$ 108,414</u>	<u>\$ 131,575</u>	<u>\$ 738,532</u>	<u>\$ 454,821</u>

Special Revenue Funds

Public Health Fund	Public Safety Grants Fund	Miscellaneous Grants Fund
\$ -	\$ -	\$ -
-	-	-
64,787	41,830	-
-	-	-
-	97	191
<u>5,225</u>	<u>155</u>	<u>11,191</u>
70,012	42,082	11,382
-	-	-
-	41,476	-
-	-	-
70,207	-	877
-	-	-
-	-	12,370
-	-	-
-	-	-
-	-	1,406
<u>-</u>	<u>-</u>	<u>-</u>
<u>70,207</u>	<u>41,476</u>	<u>14,653</u>
(195)	606	(3,271)
193	138	11,000
<u>-</u>	<u>-</u>	<u>-</u>
<u>193</u>	<u>138</u>	<u>11,000</u>
(2)	744	7,729
<u>2</u>	<u>50,619</u>	<u>32,396</u>
<u>\$ -</u>	<u>\$ 51,363</u>	<u>\$ 40,125</u>

(continued)

(continued)

	<u>Special Revenue Funds</u>			
	Waste Tire Reclamation Fund	Transportation Improvement Fund	Rockingham Economic Development Corporation	Total Nonmajor Special Revenue Funds
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ 76,455
Licenses and permits	105,515	164,754	-	639,779
Intergovernmental	-	-	29,544	136,161
Charges for services	-	-	-	1,311
Investment income	2,990	559	118	9,177
Miscellaneous	<u>-</u>	<u>-</u>	<u>23,579</u>	<u>68,936</u>
Total Revenues	108,505	165,313	53,241	931,819
Expenditures:				
Current:				
General government	-	-	-	222,108
Public safety	-	-	-	41,476
Highways and streets	-	160,032	-	160,032
Health and welfare	-	-	-	71,084
Sanitation	27,772	-	-	27,772
Culture and recreation	-	-	-	29,025
Conservation	-	-	-	4,200
Economic development	-	-	116,571	116,571
Capital outlay	-	-	-	423,153
Intergovernmental	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,980</u>
Total Expenditures	<u>27,772</u>	<u>160,032</u>	<u>116,571</u>	<u>1,146,401</u>
Excess (deficiency) of revenues over expenditures	80,733	5,281	(63,330)	(214,582)
Other Financing Sources (Uses):				
Transfers in	8,280	-	-	19,967
Transfers out	<u>-</u>	<u>-</u>	<u>(56)</u>	<u>(56)</u>
Total Other Financing Sources (Uses)	<u>8,280</u>	<u>-</u>	<u>(56)</u>	<u>19,911</u>
Net change in fund balance	89,013	5,281	(63,386)	(194,671)
Fund Equity, beginning	<u>298,808</u>	<u>33,084</u>	<u>78,083</u>	<u>2,160,384</u>
Fund Equity, ending	<u>\$ 387,821</u>	<u>\$ 38,365</u>	<u>\$ 14,697</u>	<u>\$ 1,965,713</u>

Capital Project Funds

Rail Trail Fund	Bridge Improvements Fund	Transfer Station Facility Fund	Rockingham Road Reconstruction Fund	Total Nonmajor Capital Projects Funds
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	2,859	157	3,016
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>2,859</u>	<u>157</u>	<u>3,016</u>
-	-	2,859	157	3,016
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,945	-	1,947,435	22,136	1,972,516
-	-	-	-	-
<u>2,945</u>	<u>-</u>	<u>1,947,435</u>	<u>22,136</u>	<u>1,972,516</u>
(2,945)	-	(1,944,576)	(21,979)	(1,969,500)
125,000	-	-	-	125,000
-	-	(8,280)	-	(8,280)
<u>125,000</u>	<u>-</u>	<u>(8,280)</u>	<u>-</u>	<u>116,720</u>
122,055	-	(1,952,856)	(21,979)	(1,852,780)
-	775,936	2,032,194	44,900	2,853,030
<u>\$ 122,055</u>	<u>\$ 775,936</u>	<u>\$ 79,338</u>	<u>\$ 22,921</u>	<u>\$ 1,000,250</u>

(continued)

(continued)

	<u>Permanent Funds</u>		
	<u>General Cemetery Care</u>	<u>Parks and Playgrounds</u>	<u>Libraries</u>
Revenues:			
Property taxes	\$ -	\$ -	\$ -
Licenses and permits	-	-	-
Intergovernmental	-	-	-
Charges for services	-	-	-
Investment income	130,102	174,026	5,343
Miscellaneous	-	-	-
Total Revenues	<u>130,102</u>	<u>174,026</u>	<u>5,343</u>
Expenditures:			
Current:			
General government	16,498	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Health and welfare	-	-	-
Sanitation	-	-	-
Culture and recreation	-	23,508	591
Conservation	-	-	-
Capital outlay	-	-	-
Intergovernmental	-	-	-
Total Expenditures	<u>16,498</u>	<u>23,508</u>	<u>591</u>
Excess (deficiency) of revenues over expenditures	113,604	150,518	4,752
Other Financing Sources (Uses):			
Transfers in	-	-	-
Transfers out	<u>(44,625)</u>	<u>(56,878)</u>	<u>(1,837)</u>
Total Other Financing Sources (Uses)	<u>(44,625)</u>	<u>(56,878)</u>	<u>(1,837)</u>
Net change in fund balance	68,979	93,640	2,915
Fund Equity, beginning	<u>2,779,853</u>	<u>3,979,690</u>	<u>101,202</u>
Fund Equity, ending	<u>\$ 2,848,832</u>	<u>\$ 4,073,330</u>	<u>\$ 104,117</u>

<u>Permanent Funds</u>			Grand Total
<u>Highways and Streets</u>	<u>Human Services</u>	<u>Total Nonmajor Permanent Funds</u>	<u>Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 76,455
-	-	-	639,779
-	-	-	136,161
-	-	-	1,311
(370)	1,936	311,037	323,230
-	-	-	68,936
<u>(370)</u>	<u>1,936</u>	<u>311,037</u>	<u>1,245,872</u>
-	-	16,498	238,606
-	-	-	41,476
284	-	284	160,316
-	368	368	71,452
-	-	-	27,772
-	-	24,099	53,124
-	-	-	4,200
-	-	-	116,571
-	-	-	2,395,669
-	-	-	50,980
<u>284</u>	<u>368</u>	<u>41,249</u>	<u>3,160,166</u>
(654)	1,568	269,788	(1,914,294)
-	-	-	144,967
<u>(15,000)</u>	<u>(1,500)</u>	<u>(119,840)</u>	<u>(128,176)</u>
<u>(15,000)</u>	<u>(1,500)</u>	<u>(119,840)</u>	<u>16,791</u>
(15,654)	68	149,948	(1,897,503)
<u>52,523</u>	<u>62,274</u>	<u>6,975,542</u>	<u>11,988,956</u>
<u>\$ 36,869</u>	<u>\$ 62,342</u>	<u>\$ 7,125,490</u>	<u>\$ 10,091,453</u>

TOWN OF DERRY, NEW HAMPSHIRE
CABLE TELEVISION FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive <u>(Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Other Sources:				
Licenses and permits	\$ 323,877	\$ 323,877	\$ 367,610	\$ 43,733
Charges for services	200	200	50	(150)
Miscellaneous	<u>-</u>	<u>-</u>	<u>384</u>	<u>384</u>
Total Revenues	324,077	324,077	368,044	43,967
Expenditures and Other Uses:				
Current operations:				
General government	227,431	227,431	222,108	5,323
Capital outlay	45,000	45,000	35,747	9,253
Intergovernmental	<u>51,646</u>	<u>51,646</u>	<u>50,980</u>	<u>666</u>
Total Expenditures	<u>324,077</u>	<u>324,077</u>	<u>308,835</u>	<u>15,242</u>
Excess of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 59,209</u>	<u>\$ 59,209</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.

Trust Name

Trust Purpose

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 Position
Fiduciary Funds - All Private-Purpose Trust Funds

June 30, 2016

	<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	\$ 68,921	\$ 382,320	\$ 16,542	\$ 2,471	\$ 470,254
Total Assets	<u>\$ 68,921</u>	<u>\$ 382,320</u>	<u>\$ 16,542</u>	<u>\$ 2,471</u>	<u>\$ 470,254</u>
<u>NET POSITION</u>					
Held in trust	\$ 68,921	\$ 382,320	\$ 16,542	\$ 2,471	\$ 470,254
Total Liabilities and Net Position	<u>\$ 68,921</u>	<u>\$ 382,320</u>	<u>\$ 16,542</u>	<u>\$ 2,471</u>	<u>\$ 470,254</u>

TOWN OF DERRY, NEW HAMPSHIRE

Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds - All Private-Purpose Trust Funds

For the Year Ended June 30, 2016

	<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	\$ 6,031	\$ 42,033	\$ 1,616	\$ 197	\$ 49,877
Net decrease in the fair value of investments	<u>(89)</u>	<u>(22,414)</u>	<u>(955)</u>	<u>(150)</u>	<u>(23,608)</u>
Total investment earnings	5,942	19,619	661	47	26,269
Less investment expense	<u>(297)</u>	<u>(2,168)</u>	<u>(93)</u>	<u>(14)</u>	<u>(2,572)</u>
Net investment earnings	5,645	17,451	568	33	23,697
Contributions	<u>24,074</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,074</u>
Total additions	29,719	17,451	568	33	47,771
Deductions:					
Benefits	<u>-</u>	<u>6,744</u>	<u>-</u>	<u>-</u>	<u>6,744</u>
Total deductions	<u>-</u>	<u>6,744</u>	<u>-</u>	<u>-</u>	<u>6,744</u>
Change in net position	29,719	10,707	568	33	41,027
Net position held in trust:					
Beginning of year	<u>39,202</u>	<u>371,613</u>	<u>15,974</u>	<u>2,438</u>	<u>429,227</u>
End of year	<u>\$ 68,921</u>	<u>\$ 382,320</u>	<u>\$ 16,542</u>	<u>\$ 2,471</u>	<u>\$ 470,254</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, 2016

	Balance July 1, <u>2015</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2016</u>
<u>Derry Cooperative School Agency Fund:</u>				
Assets - investments	\$ <u>183,161</u>	\$ <u>2,302</u>	\$ <u>(887)</u>	\$ <u>184,576</u>
Liabilities - due to other governments	\$ <u>183,161</u>	\$ <u>2,302</u>	\$ <u>(887)</u>	\$ <u>184,576</u>
 <u>Performance Bond Agency Fund:</u>				
Assets - cash and cash equivalents	\$ <u>251,050</u>	\$ <u>317,862</u>	<u>(119,974)</u>	\$ <u>448,938</u>
Liabilities - deposits held for others	\$ <u>251,050</u>	\$ <u>317,862</u>	\$ <u>(119,974)</u>	\$ <u>448,938</u>
 <u>Totals:</u>				
Cash and cash equivalents	\$ 251,050	\$ 317,862	\$ (119,974)	\$ 448,938
Investments	<u>183,161</u>	<u>2,302</u>	<u>(887)</u>	<u>184,576</u>
Total Assets	\$ <u>434,211</u>	\$ <u>320,164</u>	\$ <u>(120,861)</u>	\$ <u>633,514</u>
Liabilities - due to other governments	\$ 183,161	\$ 2,302	\$ (887)	\$ 184,576
Liabilities - deposits held for others	<u>251,050</u>	<u>317,862</u>	<u>(119,974)</u>	<u>448,938</u>
Total Liabilities	\$ <u>434,211</u>	\$ <u>320,164</u>	\$ <u>(120,861)</u>	\$ <u>633,514</u>

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 Town's overall financial health.

	<u>Page</u>
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the Town's financial performance and well-being have changed over time.	102
<i>Revenue Capacity</i> These schedules contain information to help the reader assess the Town's most significant local revenue source, the property tax.	106
<i>Debt Capacity</i> These schedules present information to help the reader assess the affordability of the Town's current levels of outstanding debt and the Town's ability to issue additional debt in the future.	110
<i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the Town's financial activities take place.	114
<i>Operating Information</i> These schedules contain service and infrastructure data to help the reader understand how the information in the Town's financial report relates to the service the Town provides and the activities it performs.	117

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

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

	<u>2007 (1)</u>	<u>2008 (1)</u>	<u>2009 (1)</u>	<u>2010 (2) (1)</u>	<u>2011 (1)</u>	<u>2012 (1)</u>	<u>2013</u>	<u>2014</u>	<u>2015 (3)</u>	<u>2016</u>
Government Activities										
Net investment in capital assets	\$94,729,202	\$96,865,055	\$98,687,664	\$101,530,681	\$104,936,447	\$104,697,003	\$105,780,715	\$105,790,237	\$104,467,968	\$106,506,853
Restricted	10,793,656	11,778,966	10,977,181	6,301,664	6,559,454	7,003,800	7,124,996	7,468,675	7,740,061	7,580,311
Unrestricted	11,842,047	11,990,757	12,034,740	16,440,924	14,771,367	15,095,817	13,515,612	14,207,069	(18,553,655)	(21,371,346)
Total Governmental Activities Net Position	<u>\$117,364,905</u>	<u>\$120,634,778</u>	<u>\$121,699,585</u>	<u>\$124,273,269</u>	<u>\$126,267,268</u>	<u>\$126,796,620</u>	<u>\$126,421,323</u>	<u>\$127,465,981</u>	<u>\$93,654,374</u>	<u>\$92,715,818</u>
Business-type Activities										
Net investment in capital assets	\$21,835,614	\$22,742,827	\$23,516,728	\$24,472,039	\$25,544,919	\$26,024,107	\$26,070,283	\$26,033,422	\$25,797,236	\$26,040,747
Unrestricted	3,786,915	3,533,156	3,210,828	3,842,923	3,964,008	4,257,248	4,742,682	5,127,537	4,189,764	6,693,240
Total Business-type Activities Net Position	<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>	<u>\$30,812,965</u>	<u>\$31,160,959</u>	<u>\$29,987,000</u>	<u>\$32,733,987</u>
Primary Government										
Net investment in capital assets	\$116,564,816	\$119,607,882	\$122,204,392	\$126,002,720	\$130,481,366	\$130,721,110	\$131,850,998	\$131,823,659	\$130,265,204	\$132,547,600
Restricted	10,793,656	11,778,966	10,977,181	6,301,664	6,559,454	7,003,800	7,124,996	7,468,675	7,740,061	7,580,311
Unrestricted	15,628,962	15,523,913	15,245,568	20,283,847	18,735,375	19,353,065	18,258,294	19,334,606	(14,363,891)	(14,678,106)
Total Primary Government Net Position	<u>\$142,987,434</u>	<u>\$146,910,761</u>	<u>\$148,427,141</u>	<u>\$152,588,231</u>	<u>\$155,776,195</u>	<u>\$157,077,975</u>	<u>\$157,234,288</u>	<u>\$158,626,940</u>	<u>\$123,641,374</u>	<u>\$125,449,805</u>

(1) As restated

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

(3) First year of implementation of GASB 68. Prior periods have not been restated.

Source: Statement of Net Position

**TOWN OF DERRY, NEW HAMPSHIRE
CHANGE IN NET POSITION
LAST TEN FISCAL YEARS**

	2007 (1)	2008 (1)	2009 (1)	2010 (1)	2011 (1)	2012 (1)	2013	2014	2015	2016
Expenses										
<u>Governmental Activities</u>										
General government	\$4,864,395	\$4,922,872	\$5,856,375	\$5,415,866	\$5,772,403	\$5,241,472	\$5,770,858	\$5,941,095	\$6,620,989	\$5,244,746
Public Safety	18,688,924	18,790,889	18,927,195	19,220,474	19,716,889	20,088,167	19,705,078	20,004,575	19,175,876	18,972,353
Highway & streets	3,985,181	4,181,494	4,059,063	4,291,377	4,368,205	4,039,962	4,550,329	4,868,843	5,021,892	4,444,365
Health & welfare	778,619	795,072	775,357	813,431	735,916	643,871	712,326	812,632	777,789	687,021
Sanitation	1,430,509	1,562,223	1,621,743	1,591,142	1,579,299	1,634,394	1,632,599	1,620,297	1,757,139	1,963,583
Culture & recreation	2,897,392	2,965,628	2,857,095	2,908,787	2,940,331	3,351,764	3,062,131	3,301,712	3,157,056	3,136,458
Conservation	17,264	29,113	13,089	12,252	16,577	9,120	24,136	12,149	22,172	9,760
Redevelopment & housing	65,000	55,016	57,093	177,750	-	-	-	-	-	-
Economic development	638,497	729,122	329,462	405,316	1,437,987	702,479	1,440,817	179,717	656,802	615,423
Debt service	504,695	480,718	443,518	389,331	365,191	386,000	375,763	411,395	373,170	330,799
Total Governmental Activities Expenses	\$33,870,476	\$34,512,147	\$34,939,990	\$35,225,726	\$36,932,798	\$36,097,229	\$37,274,437	\$37,152,415	\$37,562,885	\$35,404,508
<u>Business-type Activities</u>										
Water	\$2,097,520	\$2,088,784	\$2,032,481	\$2,089,938	\$2,337,353	\$2,313,232	\$2,345,410	\$2,423,251	\$2,354,975	\$2,374,976
Sewer	1,837,379	1,927,217	1,935,968	1,948,520	1,944,450	1,937,795	1,978,125	2,033,106	2,087,829	2,232,643
Total Business-type Activities Expenses	\$3,934,899	\$4,016,001	\$3,968,449	\$4,038,458	\$4,281,803	\$4,251,027	\$4,323,535	\$4,456,357	\$4,442,804	\$4,607,619
Total Primary Government Expenses	\$37,805,375	\$38,528,148	\$38,908,439	\$39,264,184	\$41,214,601	\$40,348,256	\$41,597,972	\$41,608,772	\$42,005,689	\$40,012,127
Program Revenues										
<u>Governmental Activities</u>										
Charges for services:										
General government	\$85,991	\$100,553	\$46,770	\$93,207	\$129,549	\$125,387	\$128,466	\$127,748	\$159,877	\$132,818
Public safety	1,057,789	1,164,763	1,075,782	1,611,004	1,690,832	1,410,038	1,307,973	1,834,499	1,548,557	1,589,881
Highway & streets	48,404	62,045	29,679	21,772	40,214	92,982	41,149	27,958	36,364	57,285
Health & welfare	17,604	1,108	2,455	22,932	26,959	27,927	30,275	33,290	29,250	29,875
Sanitation	363,737	449,513	373,011	397,267	450,465	508,259	382,358	416,529	409,554	397,767
Culture & recreation	161,648	163,453	164,581	170,374	194,859	199,406	159,898	151,294	148,705	160,423
Operating grants & contributions	2,065,068	2,072,594	2,523,130	2,210,538	1,819,782	1,447,375	1,297,582	1,581,906	1,129,626	1,126,608
Capital grants & contributions	516,750	1,069,575	926,437	1,200,803	2,695,727	1,330,203	402,110	303,000	961,473	610,892
Total Governmental Activities Program Revenues	\$4,316,991	\$5,083,604	\$5,141,845	\$5,727,897	\$7,048,387	\$5,141,577	\$3,749,811	\$4,476,224	\$4,423,406	\$4,105,549
<u>Business-type Activities</u>										
Charges for services:										
Water	\$2,211,514	\$2,362,870	\$2,286,130	\$2,270,130	\$2,458,522	\$2,533,351	\$2,546,316	\$2,502,674	\$2,535,847	\$2,573,530
Sewer	1,823,410	1,835,606	1,866,285	2,012,193	2,071,878	2,071,417	2,093,096	2,061,384	2,076,150	2,066,772
Operating grants & contributions	-	-	-	643,106	205,444	88,403	91,288	19,112	24,953	37,155
Capital grants & contributions	404,617	104,105	93,155	97,496	661,175	164,409	65,771	97,309	64,537	62,915
Total Business-type Activities Program Revenues	\$4,439,541	\$4,302,581	\$4,245,570	\$5,022,925	\$5,397,019	\$4,857,580	\$4,796,471	\$4,680,479	\$4,701,487	\$4,740,372
Total Primary Government Revenues	\$8,756,532	\$9,386,185	\$9,387,415	\$10,750,822	\$12,445,406	\$9,999,157	\$8,546,282	\$9,156,703	\$9,124,893	\$8,845,921
Net (Expense) Revenue										
Governmental activities	(\$29,553,485)	(\$29,428,543)	(\$29,798,145)	(\$29,497,829)	(\$29,884,411)	(\$30,955,652)	(\$33,524,226)	(\$32,676,191)	(\$33,139,479)	(\$31,298,959)
Business-type activities	504,642	286,580	277,121	984,467	1,115,216	606,553	472,936	224,122	258,683	132,753
Total Primary Government Net Expense	(\$29,048,843)	(\$29,141,963)	(\$29,521,024)	(\$28,513,362)	(\$28,769,195)	(\$30,349,099)	(\$33,051,290)	(\$32,452,069)	(\$32,880,796)	(\$31,166,206)
General Revenues & Other Changes in Net Position										
<u>Governmental Activities</u>										
Property & other taxes	\$21,794,063	\$22,828,221	\$23,179,184	\$23,360,148	\$23,962,310	\$23,668,700	\$24,818,369	\$24,918,410	\$25,097,755	\$23,441,027
Licenses & permits	5,430,606	5,584,941	5,132,828	4,669,813	4,717,598	4,899,562	5,072,002	5,444,800	5,800,062	6,186,019
Grants & contributions not restricted to specific programs	1,800,063	1,910,166	1,992,361	1,694,458	1,780,356	1,542,507	1,594,268	1,572,865	1,687,973	1,677,543
Interest & investment earnings	2,559,466	1,468,474	150,975	523,509	784,714	471,109	615,937	1,022,648	552,777	618,887
Miscellaneous	752,406	382,952	399,645	687,969	633,431	917,755	1,033,023	762,126	2,225,678	932,040
Contributions to permanent fund principal	19,500	13,500	13,350	-	-	-	-	-	-	-
Special items-gain on sale of capital assets	-	534,655	-	-	-	-	-	-	-	-
Transfers	(24,810)	(24,493)	(5,391)	(31,272)	-	(14,629)	15,330	-	(4,020)	(2,495,113)
Total Governmental Activities	\$32,331,294	\$32,698,416	\$30,862,952	\$30,904,625	\$31,878,409	\$31,485,004	\$33,148,929	\$33,720,849	\$35,360,225	\$30,360,403
<u>Business-type Activities</u>										
Income & investment earnings	\$239,399	\$126,801	\$40,308	\$11,012	\$9,166	\$17,884	\$18,886	\$30,679	\$40,409	\$35,196
Miscellaneous	54,844	215,580	128,753	52,071	69,583	133,363	55,118	93,193	67,187	83,925
Transfers	24,810	24,493	5,391	31,272	-	14,629	(15,330)	-	4,020	2,495,113
Total Business-type Activities	\$319,053	\$366,874	\$174,452	\$94,355	\$78,749	\$165,876	\$58,674	\$123,872	\$111,616	\$2,614,234
Total Primary Government	\$32,650,347	\$33,065,290	\$31,037,404	\$30,998,980	\$31,957,158	\$31,650,880	\$33,207,603	\$33,844,721	\$35,471,841	\$32,974,637
Change in Net Position										
Governmental Activities	\$2,777,809	\$3,269,873	\$1,064,807	\$1,406,796	\$1,993,998	\$529,352	(\$375,297)	\$1,044,658	\$2,220,746	(\$938,556)
Business-type Activities	\$823,695	\$653,454	\$451,573	\$1,078,822	\$1,193,965	\$772,429	\$531,610	\$347,994	\$370,299	\$2,746,987
Total Primary Government	\$3,601,504	\$3,923,327	\$1,516,380	\$2,485,618	\$3,187,963	\$1,301,781	\$156,313	\$1,392,652	\$2,591,045	\$1,808,431

(1) As restated

Source: Exhibit B - Statement of Activities

**TOWN OF DERRY, NEW HAMPSHIRE
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011 (1)</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
General Fund:										
Reserved	\$338,614	\$322,826	\$346,810	\$566,455	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved	10,551,610	11,846,663	12,490,200	10,330,675	-	-	-	-	-	-
Nonspendable	-	-	-	-	47,666	74,168	56,696	54,481	568,208	416,389
Restricted	-	-	-	-	620,550	571,271	433,634	97,984	93,789	6,525
Committed (2)	-	-	-	-	5,530,589	5,203,971	8,114,454	9,669,390	11,633,161	11,476,393
Assigned	-	-	-	-	349,130	1,092,965	916,653	878,530	1,007,253	1,192,987
Unassigned (2)	-	-	-	-	10,244,689	12,806,496	11,332,187	11,174,926	11,319,369	8,976,586
Total General Fund	\$10,890,224	\$12,169,489	\$12,837,010	\$10,897,130	\$16,792,624	\$19,748,871	\$20,853,624	\$21,875,311	\$24,621,780	\$22,068,880
All Other Governmental Funds:										
Reserved	\$5,101,862	\$5,973,394	\$5,322,806	\$6,785,990	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Unreserved, reported in:										
Special revenue funds	6,267,446	6,532,750	6,498,122	6,419,871	-	-	-	-	-	-
Capital project funds	1,514,997	1,213,880	1,378,833	2,018,817	-	-	-	-	-	-
Permanent funds	1,154,918	289,267	298,844	419,344	-	-	-	-	-	-
Nonspendable	-	-	-	-	5,038,112	5,304,598	5,368,609	5,574,790	5,792,133	6,388,842
Restricted	-	-	-	-	2,171,234	3,287,736	2,721,806	5,186,410	4,070,836	1,768,444
Committed	-	-	-	-	2,117,395	1,575,289	4,607,773	2,394,239	2,125,987	1,934,167
Unassigned	-	-	-	-	-	-	(75,846)	-	-	-
Total All Other Governmental Funds	\$14,039,223	\$14,009,291	\$13,498,605	\$15,644,022	\$9,326,741	\$10,167,623	\$12,622,342	\$13,155,439	\$11,988,956	\$10,091,453

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

(2) Beginning in FY 2013, balances reflects the allocation of unassigned fund balance to committed fund balance pursuant to the Fund Balance Policy adopted by the Town Council on June 18, 2013.

Source: Exhibit C-Balance Sheet

**TOWN OF DERRY, NEW HAMPSHIRE
CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Revenues:										
Taxes	\$21,498,501	\$22,637,596	\$23,208,798	\$23,452,828	\$23,451,834	\$23,610,788	\$24,848,384	\$24,875,060	\$25,819,686	\$23,151,016
Licenses & permits	5,430,606	5,584,941	5,132,828	5,065,518	5,107,026	5,190,764	5,392,415	5,842,408	6,126,213	6,697,822
Intergovernmental	3,876,582	4,352,278	4,523,157	4,507,678	5,326,913	3,677,367	3,297,746	3,154,771	3,527,634	2,833,415
Charges for services	1,659,790	1,830,467	1,632,130	1,920,850	2,143,450	2,072,796	1,729,707	2,193,710	2,006,157	1,856,269
Interest & investment income	2,559,466	1,468,474	150,975	523,510	784,712	471,108	615,937	1,022,647	552,777	618,886
Contributions	-	-	-	-	-	424,077	-	-	-	-
Miscellaneous	1,326,191	593,386	500,239	563,107	504,729	590,296	975,022	652,176	963,616	508,585
Total Revenues	\$36,351,136	\$36,467,142	\$35,148,127	\$36,033,491	\$37,318,664	\$36,037,196	\$36,859,211	\$37,740,772	\$38,996,083	\$35,665,993
Expenditures:										
Current operations-										
General government	\$4,518,629	\$4,480,579	\$4,644,991	\$4,662,711	\$5,051,656	\$4,919,263	\$4,993,375	\$5,008,945	\$5,228,059	\$5,199,448
Public safety	17,969,416	17,810,998	18,142,797	17,872,831	18,334,892	18,592,809	18,491,033	18,726,144	19,249,577	18,386,108
Highways & streets	3,849,479	4,139,025	3,773,442	4,103,297	3,802,837	3,885,826	3,875,348	4,350,830	4,196,320	3,984,241
Health & welfare	762,059	812,303	771,933	801,740	716,642	604,040	663,639	763,935	727,628	637,269
Sanitation	1,595,580	1,507,164	1,576,541	1,510,116	1,559,847	1,576,299	1,558,825	1,554,347	1,698,273	1,809,678
Culture & recreation	2,577,082	2,664,121	2,644,736	2,697,540	2,679,467	2,953,589	2,647,311	2,707,141	2,726,284	2,767,850
Conservation	17,264	29,112	13,089	12,252	16,148	9,120	24,136	12,149	22,172	9,760
Redevelopment & housing	65,000	55,016	57,093	177,750	-	-	-	-	-	-
Economic Development	272,647	230,800	220,282	332,133	365,399	172,481	42,628	13,153	656,803	229,424
Capital outlay	1,678,387	3,425,537	1,631,514	1,620,455	4,905,502	2,246,600	3,975,511	2,005,736	2,548,866	2,982,780
Debt service-										
Principal retirement	860,000	855,000	920,000	1,447,116	953,863	937,612	930,539	1,174,325	1,188,031	1,584,468
Interest & fiscal charges	955,020	881,480	767,109	678,112	368,055	379,504	401,483	408,797	387,214	376,303
Intergovernmental	58,172	38,929	12,826	9,983	10,009	10,369	10,074	12,485	51,074	50,980
Total Expenditures	\$35,178,735	\$36,930,064	\$35,176,353	\$35,926,036	\$38,764,317	\$36,287,512	\$37,613,902	\$36,737,987	\$38,680,301	\$38,018,309
Excess revenues over (under) expenditures	\$1,172,401	(\$462,922)	(\$28,226)	\$107,455	(\$1,445,653)	(\$250,316)	(\$754,691)	\$1,002,785	\$315,782	(\$2,352,316)
Other financing sources (uses):										
Issuance of long-term bonds	\$100,000	\$647,116	\$0	\$0	\$0	\$3,400,000	\$4,000,000	\$0	\$0	\$0
Bond premium	-	-	-	-	-	-	3,787	-	-	-
Issuance of refunding debt	-	-	-	-	-	-	1,250,000	-	-	1,475,000
Payments to refunding escrow	-	-	-	-	-	-	(1,228,676)	-	-	(1,428,151)
Proceeds from sale of capital assets	-	550,000	47,335	129,354	125,472	294,416	70,654	112,979	1,163,820	350,177
Issuance of capital leases	323,803	547,134	150,617	-	898,394	367,654	203,068	439,023	104,403	-
Transfers in	5,252,138	4,126,327	3,216,376	4,764,888	3,595,665	1,289,095	598,621	1,307,611	560,218	288,769
Transfers out	(5,276,948)	(4,150,820)	(3,221,767)	(4,796,160)	(3,595,665)	(1,303,723)	(583,291)	(1,307,611)	(567,237)	(2,783,882)
Premium paid on asset exchange	-	(7,502)	(7,500)	-	-	-	-	-	-	-
Total other financing sources (uses)	\$398,993	\$1,712,255	\$185,061	\$98,082	\$1,023,866	\$4,047,442	\$4,314,163	\$552,002	\$1,261,204	(\$2,098,087)
Net change in fund balances	\$1,571,394	\$1,249,333	\$156,835	\$205,537	(\$421,787)	\$3,797,126	\$3,559,472	\$1,554,787	\$1,576,986	(\$4,450,403)
Debt service as a percentage of non-capital expenditures	5.4%	5.2%	5.0%	6.2%	3.9%	3.9%	4.0%	4.6%	4.4%	5.6%

Source: Exhibit D-Statement of Revenues, Expenditures and Changes in Fund Balance

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

Fiscal Year	Local Assessed Value				Total Taxable Assessed Value (1)	Total Town Direct Tax Rate	Estimated Full Value	Total Assessed Value as a % Estimated Actual Taxable Value
	Residential	Commerical	Industrial	Less Tax-Exempt Property				
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	2,047,409,452	399,299,617	77,978,400	29,780,675	2,494,906,794	9.52	2,355,908,210	105.900%
2013	1,891,691,991	446,126,677	78,549,100	29,122,507	2,387,245,261	10.39	2,428,530,276	98.300%
2014	1,905,452,576	405,159,727	84,415,817	28,835,371	2,366,192,749	10.39	2,517,226,329	94.000%
2015	2,025,529,201	423,374,237	85,977,274	30,265,466	2,504,615,246	9.72	2,808,357,314	89.184%
2016	2,033,365,986	427,667,634	86,088,174	31,323,700	2,515,798,094	9.16	2,764,420,315	91.006%

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

Notes:

(1) 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 2012 for FY13.

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

Total Overlapping Rates						
Fiscal Year	Total Direct Town Rate	Derry School	State Education	Total School Rate	County Rate	Total Tax Rate (2)
2007	\$ 7.50	\$ 11.32	\$ 2.41	\$ 13.73	\$ 0.93	\$ 22.16
2008	7.64	11.08	2.44	13.52	0.89	22.05
2009	8.81	13.19	2.54	15.73	0.99	25.53
2010	9.39	14.85	2.59	17.44	1.05	27.88
2011	9.41	15.51	2.48	17.99	1.08	28.48
2012	9.52	14.22	2.49	16.71	1.04	27.27
2013	10.39	16.35	2.59	18.94	1.15	30.48
2014	10.39	17.34	2.62	19.96	1.14	31.49
2015	9.72	16.11	2.44	18.55	1.15	29.42
2016	9.16	16.37	2.61	18.98	1.09	29.23

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) 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.

**TOWN OF DERRY, NEW HAMPSHIRE
PRINCIPAL PROPERTY TAXPAYERS**

Taxpayer	Type of Business	FY 2016			FY 2007		
		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.	\$66,164,472	1	2.63%	\$54,757,260	1	1.85%
Campbell, Gilbert G., Trustee (Aladdin Village & Derry County Club Estates)	Real Estate - Apartments	43,526,600	2	1.73%	40,534,600	2	1.37%
Public Service Company of NH (PSNH)	Utility - Electric	31,332,400	3	1.25%	13,462,900	6	0.46%
HCA Health Services of NH, Inc. (Parkland Medical Center)	Healthcare - Hospital	22,838,000	4	0.91%	22,914,900	3	0.78%
Derry MZL LLC	Commercial - Retail	20,440,300	5	0.81%	18,231,900	4	0.62%
WP Hood Associates, LLC (Hood Plaza)	Commercial - Retail	16,687,100	6	0.66%	14,007,500	5	0.47%
Wal-Mart Real Estate Business Trust (Wal-Mart Superstore, Ashleigh Dr.)	Commercial - Retail	13,593,100	7	0.54%			
Ventas Birch Heights, LLC	Commercial - Elderly Assisted Living	11,996,800	8	0.48%			
EKMK Associates Ltd. Partnership	Real Estate - Apartments	9,626,800	9	0.38%			
Two Tsienneto Road Realty LLC	Medical Office Building	9,425,700	10	0.37%	8,615,900	9	0.29%
Wal-Mart Realty Co (Wal-Mart Store, Manchester Road)	Commercial - Retail w/Fueling Station				9,566,500	7	0.32%
Franklin Derry Limited Partnership (Franklin Village Apartments)	Real Estate - Apartments				7,593,000	10	0.26%
Sanmina Corp. (Sanmina/Hadco)	Industrial Manufacturing				9,276,000	8	0.31%
Totals		\$245,631,272		9.76%	\$198,960,460		6.73%
Total Taxable Assessed Valuation is:		\$2,515,798,094			\$2,956,221,988		

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

**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 and Abatements to Date	
		Tax Amount	Percentage of Levy			Amount	Percentage of Levy
2007	\$21,886,058	\$21,271,716	97.19%	\$485,286	\$125,955	\$21,882,958	99.99%
2008	(1) 22,529,760	21,908,661	97.24%	499,514	118,217	22,526,392	99.99%
2009	23,338,263	22,660,097	97.09%	566,499	107,953	23,334,549	99.98%
2010	23,037,481	22,505,738	97.69%	459,843	68,333	23,033,914	99.98%
2011	23,477,396	23,019,793	98.05%	392,657	55,649	23,468,099	99.96%
2012	23,817,145	23,360,347	98.08%	381,977	61,112	23,803,436	99.94%
2013	24,408,192	24,022,106	98.42%	305,574	52,195	24,379,875	99.88%
2014	24,623,357	24,190,174	98.24%	239,659	49,254	24,479,087	99.41%
2015	24,382,679	23,716,617	97.27%	330,295	37,235	24,084,147	98.78%
2016	24,266,054	22,823,346	94.05%	-	36,489	22,859,835	94.20%

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

The data presented above represents information for taxes collected for Town Services and two fire districts (consolidated in FY2006). It excludes taxes raised for School District and the County, even though the Town bears the full burden for any uncollected taxes, since the town having fully disbursed taxes assessed for the school and county.

(1) Taxes levied for the Fiscal Years and thereafter include additional lien levy

**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 (1)	Bond Anticipation Note	Capital Leases	Tax Increment Financing Bonds	Water Bonds (1)	Water Capital Leases	Water Notes	Sewer Bonds (1)	Sewer Capital Leases	Total Primary Government	As a % of Personal Income	Per Capita
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
2013	7,990,000	-	698,815	5,000,000	800,000	-	-	2,865,000	-	17,353,815	0.18%	522
2014	7,250,000	-	783,506	4,920,000	2,502,772	-	-	4,274,020	-	19,730,298	0.16%	598
2015	6,637,881	-	509,885	4,840,000	2,362,173	44,770	-	3,959,674	44,770	18,399,153	0.17%	554
2016	5,921,025	-	215,418	4,285,000	2,218,580	33,938	-	3,657,322	33,938	16,365,221	0.19%	493

Notes:

Details regarding the Town's outstanding debt can be found in the notes to the financial statements.

See page 114 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year, when available.

(1) The above figures reflect bonds net of related premiums and discounts.

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

Fiscal Year	General Bonded Debt Outstanding			% of Actual Taxable Value of Property	Per Capita
	General Obligation Bonds	Tax Increment Financing Bonds	Total		
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
2013	7,990,000	5,000,000	12,990,000	0.55%	391
2014	7,250,000	4,920,000	12,170,000	0.51%	369
2015	6,637,881	4,840,000	11,477,881	0.46%	346
2016	5,921,025	4,285,000	10,206,025	0.41%	308

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 page 114 for population data. These ratios are calculated using estimated population for the prior calendar year.

**TOWN OF DERRY, NEW HAMPSHIRE
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT
AS OF JUNE 30, 2016**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable</u>	<u>Share of Direct & Overlapping Debt</u>
Direct:			
Town of Derry - Bonds	\$10,206,025	100.00%	\$10,206,025
Town of Derry - Capital Leases	\$215,418	100.00%	<u>215,418</u>
Sub Total - Direct Debt			<u>\$10,421,443</u>
Overlapping:			
Rockingham County	\$7,671,645	6.4055%	\$491,407
Derry Cooperative School District	\$14,249,275	100.00%	<u>14,249,275</u>
Sub Total - Overlapping Debt			<u>14,740,682</u>
Total Direct and Overlapping Debt			<u><u>\$25,162,125</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 2015 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.

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

Legal Debt Margin Calculation for Fiscal Year 2016	
Estimated full value	\$2,764,420,315
General Fund debit limit (3% of equalized Valuation)	82,932,609
Water Fund debit limit (10% of equalized Valuation)	276,442,032

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
<u>General Fund</u>										
Debt Limit	\$94,842,992	\$90,625,085	\$84,783,824	\$79,472,053	\$75,472,246	\$75,570,494	\$73,292,846	\$80,561,177	\$84,250,719	\$82,932,609
Total debt applicable to limit	<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>	<u>11,240,779</u>	<u>10,500,778</u>	<u>11,477,881</u>	<u>10,206,025</u>
Legal debt margin	<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>	<u>\$62,052,067</u>	<u>\$70,060,399</u>	<u>\$72,772,838</u>	<u>\$72,726,584</u>
Total debt applicable to limit as a percentage of debt limit	13.94%	13.74%	12.32%	12.06%	10.96%	15.50%	15.34%	13.03%	13.62%	12.31%
<u>Water Fund</u>										
Debt Limit	\$316,143,307	\$302,086,017	\$282,612,747	\$264,906,843	\$251,574,153	\$251,901,647	\$244,309,487	\$268,537,258	\$280,835,731	\$276,442,032
Total debt applicable to limit	<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>	<u>2,518,500</u>	<u>2,448,500</u>	<u>2,311,636</u>	<u>2,218,580</u>
Legal debt margin	<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>	<u>\$241,790,987</u>	<u>\$266,088,758</u>	<u>\$278,524,095</u>	<u>\$274,223,452</u>
Total debt applicable to limit as a percentage of debt limit	0.35%	0.28%	0.22%	0.17%	0.16%	1.02%	1.03%	0.91%	0.82%	0.80%

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 sewer outstanding debt, because all sewer 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.

**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>
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%
2013	33,220	1,038,257,880	31,254	5,863	5.6%
2014	32,988	1,031,171,892	31,259	5,690	4.9%
2015	33,211	1,009,514,767	30,397	6,586	4.3%
2016	33,180	1,014,312,600	30,570	6,937	5.1%

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 2013-2014 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 had not been available from the New Hampshire Office of Energy & Planning (NHOEP), though available in FY2011 due to the 2010 census and going forward based on an update from NHES. Prior to 2010, this information is derived from the census data done every 10 years.

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

<u>Employer</u>	<u>Type of Business</u>	<u>Fiscal Year 2016</u>			<u>Fiscal Year 2007</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	3.31%	850	1	4.43%
HCA Health Services of NH	Healthcare/Hospital	532	2	2.84%	850	2	4.43%
Pinkerton Academy	Education	462	3	2.46%			
Town of Derry	Municipal services	364	4	1.94%	209	4	1.09%
Wal-Mart Store	Retail chain	265	5	1.41%	125	7	
Hannaford Supermarket	Supermarket	142	6	0.76%	149	6	0.78%
Shaw's Supermarket	Supermarket	105	7	0.56%	200	5	1.04%
Fireye	Fire Equipment	100	8	0.53%	225	3	1.17%
Benson's Hardware	Hardware Supply Store	50	9	0.27%			
Total Air Supply	Light Manufacturer	40	10	0.21%			
Electronics Corporation	Industrial controls				100	8	0.52%
Standard Sash & Door Co.	Door, window units				100	9	0.52%
McCord, Winn & textron, Inc.	Automotive components				100	10	0.52%

Source: NH Department of Employment Security (NHDES), Economic & Labor Market Information Bureau's *Community Profiles*, while total town-wide 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: Fiscal Year 2015 and 2006 information is from the 2014 and 2005 calendar year Community Profiles, respectively, as well as from Town of Derry records.

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

<u>Function/Program</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010 (1)</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
<u>Governmental Activities</u>										
General Government	27	27	27	26	25	24	24	25	26	23
Public Safety	162	162	162	153	153	152	150	149	149	148
Highway & Streets	28	28	28	28	27	27	27	27	27	27
Health & Welfare	3	3	3	3	3	3	3	4	4	2
Sanitation	6	6	6	5	5	5	5	5	5	5
Culture & Recreation	8	8	8	8	8	8	8	8	8	8
Economic Development	2	3	3	2	2	2	2	2	2	2
<u>Business-Type Activities</u>										
Water	6	6	6	6	6	6	6	7	7	7
Sewer	7	7	7	7	7	7	7	7	7	7
Totals	<u>249</u>	<u>250</u>	<u>250</u>	<u>238</u>	<u>236</u>	<u>234</u>	<u>232</u>	<u>234</u>	<u>235</u>	<u>229</u>

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.

(1) 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.

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

	2007	2008 (1)	2009	2010	2011	2012	2013	2014	2015	2016
Public safety										
Number of police calls answered	22,709	21,850	23,426	24,690	26,663	26,939	26,607	26,034	22,960	23,785
Physical arrests	1,427	1,373	1,250	1,363	1,272	1,412	1,330	1,433	1,186	1,231
Traffic violations	1,035	801	833	960	1,144	1,052	1,008	991	627	701
Parking violations	797	616	396	482	534	1,182	966	866	529	382
Total Offenses Reported (prior calendar year basis)										
Group A	2,642	2,543	2,544	2,691	2,854	3,033	2,880	2,520	2,758	2,396
Group B	1,176	1,150	1,199	1,107	1,048	1,071	1,051	919	971	827
Fire & rescue calls dispatched (5 towns)										
Total fire & rescue responses	4,060	4,199	4,519	4,546	4,393	4,282	4,193	4,281	4,586	4,722
Fire emergency services	907	860	1,248	1,513	1,405	1,396	1,445	1,447	1,607	1,683
False alarms	337	446	409	407	422	393	387	412	452	403
EMS/Rescue	2,816	2,893	2,991	3,033	2,939	2,886	2,886	3,081	3,302	3,321
Patients treated & transported	2,075	2,305	2,503	2,327	2,360	2,247	2,299	2,398	2,477	2,467
Patients treated only	18	29	53	25	10	22	29	21	18	19
Inspections conducted										
Fire code	769	866	1,012	705	697	713	744	862	858	969
Permits		182	78	648	198	627	773	721	689	723
Fire Permits	1,704	1,766	3,691	3,691	4,012	2,495	2,114	1,412	1,952	2,016
Public safety education programs	421	130	128	122	138	61	72	32	51	51
Program attendees	4340	2766	4824	4877	4965	2179	815	819	1267	1780
Water										
Daily average water consumption	1.28 MGD	1.30 MGD	1.18 MGD	1.24 MGD	1.34 MGD	1.41 MGD	1.42 MGD	1.47 MGD	1.45 MGD	1.56 MGD
Maximum daily capacity in gallons	3.32 MGD									
Sewer										
Daily average treatment in gallons	1.75 MGD	1.67 MGD	1.85 MGD	1.80 MGD	1.59 MGD	1.72 MGD	1.54 MGD	1.54 MGD	1.58 MGD	1.47 MGD
Maximum daily capacity	3.0 MGD									

Source: Various Town departments

Notes:

- (1) 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.

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

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
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	4	4	4	4	4	4	4	4	4	4
Fire/EMS Response Apparatus	30	30	30	30	30	30	30	30	30	30
Highways & streets										
Miles of streets	160.9	160.9	162.4	162.4	162.8	163.2	163.2	163.2	163.74	164.57
Number of street lights	921	921	921	921	921	923	923	923	923	923
Miles of sidewalks	19	19.3	19.3	19.3	19.3	19.3	19.7	19.7	19.7	19.7
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	5	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	68	68.2	68.2	68.7	70.31	70.31	70.31	70.31	71.62	71.62
Service connections	3,966	3,977	3,989	4,005	4,028	4,041	4,050	4,071	4,075	4,094
Fire hydrants	575	575	591	592	614	614	614	614	629	629
Sewer										
Miles of sanitary sewers	46	46.6	48.9	48.9	48.9	48.9	48.9	48.9	50.44	50.44
Miles of storm sewers	18	18	18	18	19	19	19	19	19.25	19.25
Treatment plants	1	1	1	1	1	1	1	1	1	1
Service connections	2,995	3,021	3,029	3,049	3,064	3,082	3,087	3,096	3,100	3,116

Source: Various town departments