



## **TOWN OF DERRY, NEW HAMPSHIRE**

### **Comprehensive Annual Financial Report**

**For the Fiscal Year Ending**

**June 30, 2013**

**Photo on the Cover:**  
**Emergency Repairs to Meadow Dam at Beaver Lake**

**TOWN OF DERRY, NEW HAMPSHIRE**  
**Comprehensive Annual Financial Report**  
**For the Year Ended June 30, 2013**

Prepared by:  
The Finance Department

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Town of Derry, New Hampshire  
Comprehensive Annual Financial Report  
For the Fiscal Year Ended June 30, 2013

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## Introductory Section



**Before**



**After**

**Tsiennto Road Sidewalk - Expansion Improves Safety for Pedestrians**

# ***Town of Derry, NH***

## **Office of the Finance Department**

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December 16, 2013

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

The Comprehensive Annual Financial Report of the Town of Derry, New Hampshire for the fiscal year (FY) ended June 30, 2013 is hereby submitted. Responsibility for the accuracy of the data, as well as the completeness and fairness of the presentation, including all disclosures, rests with management. To the best of our knowledge and belief the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the Town of Derry, New Hampshire. All disclosures which are necessary to enable the reader to gain an understanding of the Town of Derry, New Hampshire's financial activities have been included. No other organizations or component units are included in the Town's financial reporting entity.

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

### ***Governmental Structure, Local Economic Condition and Outlook***

The Town of Derry, New Hampshire, is a municipal corporation governed by an elected seven-member Town Council. The government has operated under a Town Charter form of government, in compliance with New Hampshire statute RSA 49-D, since 1993. Policymaking and legislative authority are vested in the governing council and the chief administrative officer is the Town Administrator. The governing Town Council is responsible, among other things, for adopting the budget, passing ordinances, appointing

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

Incorporated in 1827, the Town of Derry is located in the southeastern part of the state and ranks as the fourth largest municipality in New Hampshire despite a population decrease of 4.0% over the past decade. The Town has a land area of 37.18 square miles and an estimated 2012 population of 33,220, a less than 1% increase over the prior year. The peak estimated population over the last ten years was 34,710 in 2004. The decline in school population for grades 1-12 moderated to 0.6%, following a 2.0% decline the previous year. School enrollment has been declining for six straight years, with a reduction of 8.3% over that period. Overall, the school population remained fairly flat in 2009 due to the initial year of kindergarten being provided. This general decline in school population data is similar to statewide statistics that portray a declining enrollment in New Hampshire. The Town of Derry, NH and its two public libraries employed 238 full-time permanent employees and 83 part-time employees as of June 30, 2013.

The Town performs cycled assessing inspections of one-fifth of all residential properties each year so that in a five-year period all these properties have been reviewed to insure that each property record card contains correct assessing data. Following completion of the last full revaluation in 2006 the Town Council, acting as the Board of Assessors, reinstituted the cycled inspection process as well as authorized assessment updates (indexing) beginning in 2008. This indexing by the Town in conjunction with the cycled inspection process is designed to keep assessed values tracking more closely with existing market values and providing equitable assessments among property owners. In 2009 a full valuation update was completed that reflected a real estate market that continued to be depressed. This full valuation resulted in a net reduction of 6.6% in assessed valuation compared with 2008.

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

In the fall of 2011 Assessing completed an operational and fiscal review of its operations for the Town Council. Changes recommended in that review were accepted by the Town Council, leading to operational improvements that lowered overall costs while maintaining the Town's goal to keep overall assessments as close to 100% of market value as possible.

The NH Department of Revenue Administration determined that the Town's 2011 equalized valuation was 105.9% of market value. As anticipated, a full reassessment update was done for 2012 that brought assessments to 99% of market value. This assessment level reflected the fact that there continued to be some decline in the market value of properties. No general assessment update was conducted for 2013 valuation. The present assessing plan is to do cycled inspections every year and to do assessment updates every other year.

### ***Economic Condition and Outlook***

One measure of economic conditions in the area is reflected by the outlook of the citizens of Derry on their personal economic welfare as measured by the number and value of motor vehicle registrations. The number of motor vehicle registrations decreased by 531 in FY 2013 to 38,861, a 1.3% decrease compared to a 5.6% increase the prior year. While the number of registrations decreased, the average value of each increased in FY 2013 by 4.7%, from \$106 to \$111, compared to the previous year's decrease in average value of 4.5%. These trends indicate that there is still volatility in this sector of the economic cycle. These changes reflect the fact that residents are beginning to purchase newer vehicles to replace one or more older vehicles, thus the increased average value per registration. Unlike the previous year, this data is consistent with national trends where the sales of new autos and light trucks showed an overall increase throughout FY 2013.

Another indicator of economic condition can be found in the number of building permits issued. New residential permits rose to 37 in FY 2013, almost double the 19 in FY 2012. The average construction value of each residential unit increased 15% from the previous year due to the ongoing construction of some larger homes in developments that had been poised for construction. Despite the significant increase in new residential building permits during FY 2013, permits for the past four years remain well below the FY 2008 level of 80. As a comparison, permits issued in FY 2008 included 33 permits for multi-family units. However, the number of addition & remodeling permits decreased from 305 in FY2012 to 239 in FY 2013. While permits for additions & remodeling had been fairly consistent over the previous four fiscal years, the levels experienced in FY 2013 reflect a decline from the previous trend of fixing up existing homes versus building new ones. Permits for additions and remodeling decreased 21.6% in FY 2013, compared to a 13.4% increase from FY 2011 to FY 2012. Overall these trends continue to reflect general improvement in the housing market, both locally and nationally. For the first five and a half months of FY 2014, 25 residential building permits were issued, as well as a permit for a 4-unit multi-family townhouse. The multi-family permit is the first one issued since FY 2010. Based on this increased activity, we anticipate that the level of permits issued will exceed the level experienced in FY 2013. The Town is optimistic about this improvement in building permit activity and the increasing average value of the homes being built.

<b>Residential Units</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Permits	26	27	19	37
Total Value	\$3.4M	\$3.4M	\$2.7M	\$6.0M
Average Value	\$132K	\$125K	\$142K	\$163K

Local area unemployment statistics showed an improved employment situation from June 2012 to June 2013. In June 2013, the unemployment rate was 5.5% with 1,100 unemployed, versus June 2012 when the comparable statistics were 6.5% and 1,280. Derry's June 2013 unemployment rate is slightly higher than the 5.3% rate for southern New Hampshire communities and the overall State rate of 5.1%. The unemployment rates in Derry, southern New Hampshire and the State trail the 7.8% national level by more than 2%. The employment situation state-wide improved slightly during July-October 2013, declining from 5.1% to 5.0%, while Derry's unemployment rate increased during that four-month period to 6.1% and added 110 individuals to the unemployment rolls. The Town's unemployment rates for October 2012 and 2011 were 6.3% and 5.7%, respectively. The economic outlook for Derry remains generally consistent with the southern New Hampshire economy, while the Town lags behind the overall State employment situation, continuing to be impacted by the overall depression in the national economy.

## **Major Initiatives**

### ***For the Year***

The Town continues to utilize the recently updated Master Plan and Open Space Plan, as well as a Source Water Protection Plan that was developed through a joint effort of the Planning Department, the Public Works Department, the Conservation Commission, the Southern NH Planning Commission and the NH Department of Environmental Services (NHDES).

The Downtown Committee was somewhat inactive during this year as it goes through a time of regeneration and awaits some direction from the Town Council with respect to the downtown commercial area. During the year, the Greater Derry/Londonderry Chamber of Commerce worked with a downtown merchants association to address issues important to being a successful business in this area of Town in conjunction with its newly instituted business visitation program. Work has stalled on creation of a downtown redevelopment plan for vacant Town-owned property located off of Broadway in the downtown business area. The Town continues to work with the Downtown Committee, the Greater Derry Arts Council (in its management of the Opera House within the Adams Memorial Building) and the Greater Derry/Londonderry Chamber of Commerce. Demolition of a former gas station site in the center of downtown was completed and temporarily converted into a 'green' open space park area. Plans have been approved for conversion of that site into a multi-story commercial/residential building once the economy improves. While a number of storefront vacancies exist, they provide a unique opportunity for development into successful businesses with great downtown exposure.

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

The Pinkerton Academy campus completed a \$7 million expansion that was funded by a state grant. Three new buildings were constructed that house Pinkerton's Career & Technology Education (CTE) program, replacing a number of older buildings. Programs within the CTE program include veterinary skills, earth sciences, culinary arts, cosmetology and electrical engineering, to name a few of the offerings.

The final cleanup related to the infrastructure improvements in the Route 28 Corridor TIF District occurred with the completion of islands, final pavement, line-striping, and landscaping. The new Wal-Mart Super Center in that TIF District was completed during FY 2013. This 155,000 square foot store opened three months ahead of schedule in September 2012 and includes a Subway sandwich shop and a Service Credit Union branch. Other activity occurring within the TIF District during FY 2013 include:

- Construction was virtually completed in Pinkerton Place, a retail plaza adjacent to the new Wal-Mart store property. Construction of a retail building on the remaining site was completed early in FY 2014 with occupancy by Verizon Wireless and a dental office, with one unit remaining to be leased in that building.
- Ocean States Job Lot acquired the former Wal-Mart property and is currently utilizing about half of the building for their store, while actively marketing for a tenant for the remaining 50,000 square feet of the building.
- Green Mountain Electric Supply expanded their operations in New Hampshire, opening an electrical products wholesale operation within the TIF District.
- The Town began marketing of the site previously occupied by Pinkerton Tavern and it appears that property will be acquired late in 2013, though it is not yet clear what type of business will occupy the site.
- Creative Chef Kitchens opened a facility in Derry Meadow Shoppes as an incubator/turn-key facility for startup food businesses. This first-of-its-kind business in the area allows aspiring food entrepreneurs to get a business up and running. Creative Chef provides guidance/education that allows a food startup to learn in two or three days about what they need to do to be successful. As many as 18 businesses are in various stages of startup. The entrepreneurs get help with everything from licensing to packaging to marketing.

The opening of the Wal-Mart Super Center has continued to pique interest in development of open land within the TIF District, as well as the upgrading of existing space. In particular the parcels located on Ashleigh Drive next to the new Wal-Mart Super Store have generated interest based on marketing by a commercial real estate broker, though no firm commitments have been made to date. There is also renewed interest in the site of the former Sanmina manufacturing site in the heart of the TIF District.

After a number of years and various possibilities proposed for use of the former Floyd School, a developer acquired the property, received approval for conversion of the building into a 19-unit apartment complex and construction has begun. Completion and occupancy is anticipated in 2014. The vacant space formerly occupied by Dollar Bill's, a merchandise discounter, has been occupied by a cabinet warehouse retail operation. A number of other small business locations that closed had their space reoccupied by new business ventures, such as hair salons, a frozen yogurt store and several pizza/fast food shops.

During the year, the Town participated in the creation of the Robert Frost/Old Stage Coach Scenic Byway. This is a state designation granted by the New Hampshire Scenic and Cultural Byways Council. The application has been accepted by the State Byway Council and is awaiting approval in May of 2014. The Robert Frost/Old Stage Coach Scenic Byway is an extension of an existing Byway that starts in Atkinson and will continue through the towns of Hampstead, Chester, Auburn, and Derry. The Byway route is highly scenic, leading visitors through New England colonial villages, rolling farmland, working orchards, and picturesque vistas. The route provides visitors access to recreational hiking and biking trails, seasonal festivals, and year round museums, restaurants and town centers. State designation is sought as the establishment of the Byway will advance tourism and economic development along the Byway Corridor.

### ***For the Future***

The focus for Town Council and Town staff going forward continues to be active pursuit of further economic development. This includes:

1. Working to expand and broaden the base of commercial and industrial property to lessen the tax burden on single-family homeowners and provide new jobs to lessen the unemployment rate.
2. Continuing development and redevelopment in the Route 28 Corridor TIF District.
3. Extending water and sewer to the southern end of Route 28, heading towards Windham, so as to better develop that area commercially and industrially following a build out of the Route 28 Corridor TIF District. Construction began in fall 2013 and is expected to be completed in fall 2014.
4. Preservation and acquisition of prime open space.
5. Mitigation of the impacts expected from the planned Interstate 93 widening and possible development of an Exit 4-A, with work concluding on a final Environmental Impact Statement (EIS) to be submitted to the Federal Highway Administration and the NH Department of Transportation (NHDOT). This project is expected to coincide with the widening of Interstate 93 from Exit 3 north to its intersection with I-293.
6. Town staff and boards continue to review possible zoning amendments. Workshops started during 2012 and continued into 2013 to consider refining commercial zoning for the Webster's Corner area in light of the water and sewer expansion that will bring needed infrastructure to that area. The intent was to increase the available commercial/industrial acreage thereby reducing zones where residential uses are permitted. The zoning changes were passed by Town Council during the summer of 2013. Ancillary to those changes, staff and town boards are currently in workshop to determine if mixed use should be allowed as permitted use in the General Commercial zone.
7. Fire and Code Enforcement Departments continue to consider the merits of developing a blight ordinance to deal with distressed properties throughout the Town.
8. The Planning Board, along with the Planning and Code Enforcement staff, drafted revisions to the sign regulations that would make them more user-friendly. The proposed revisions will be reviewed by the Town Council in early 2014.



9. The Planning Board continues to meet annually with the Derry Town Council to review goals for the upcoming fiscal year. Topics discussed during the 2013 meeting included the Town Council's vision for the downtown and for Route 28 South, given the expansion of infrastructure in that area, as well as zoning amendments.

While the infrastructure improvements to support commercial and industrial development in the Route 28 Corridor TIF District have been completed, contributions from all future projects and developers towards these infrastructure improvements will be sought to support the coverage of the debt service on the TIF bond. A 12-acre site which formerly was occupied by an industrial building, since torn down, as well as other undeveloped/underutilized properties within the TIF District, are prime locations for development since they are fully serviced by municipal water and sewer and have an improved roadway infrastructure. Serious interest has been expressed for the 12-acre site to be utilized for mixed-use retail. It is likely that the Planning Board will receive a proposal for consideration in FY 2014.

A small portion of the water and sewer expansion in the Route 28 South area of Town was completed in the fall of 2013, in conjunction with the reconstruction of Rockingham Road. This expansion will enhance the opportunity for commercial and industrial development in this area due to the availability of water and sewer service. This expansion will extend the existing water and sewer service easterly on Rockingham Road to Route 28. From that point at Route 28, water will run north to connect with existing water infrastructure at Humphrey Road, and water and sewer will run south to Berry Road. Future expansions are designed to ultimately take this service further south from Berry Road to the Windham town line. Intersection signalization and added turning lanes at Route 28/Kilrea Road will improve safe travel in this area of Route 28 south.

The Town Council has adopted the New Hampshire *E911* house numbering mapping program. This adoption allows the state to initiate a mapping of the Town for use in New Hampshire's '911' system. The Town is in a 'community queue' that will likely see mapping begin in early 2015. Upon completion of the mapping, NH '911' call dispatchers will be better able to direct emergency responders to the location of an incident. The State will also provide the Town with a report identifying areas of concern. The goal of this effort is to enhance the Town's overall responsiveness to emergency situations.

Despite the continued economic downturn nationally there are ongoing discussions with retailers and other businesses that are considering or have initiated construction of new facilities, expansion of existing facilities, and reopening of closed facilities, including:

- two credit unions began renovation of existing vacant facilities, both opened in 2013;
- construction has begun for a 2-story, 10,000 square foot medical building, where a consolidated operations center will be housed for a 3-town medical office practice;
- relocation of a machine shop, currently located in Hampstead, to larger quarters in Derry;
- two 'Nano' breweries are relocating to Derry to expand their facilities (Nano breweries use a different manufacturing process than do 'micro' breweries);

- occupation of a number of vacant food establishments are being occupied by other food venues;
- within the Central Business District, redevelopment plans are evolving for a former manufacturing facility on Crystal Avenue to be converted into retail space (staff from various Town departments, as well as Conservation Commission members, continue to work with the developer of this project to transform the site into multiple retail establishments or a single use tenant. Planning Board approval is now expected to be sought in early 2014 and construction may commence during 2014); and
- commencement of construction began in FY2014 for the addition of a golf driving range to an existing ice cream shop on Ryan's Hill on Route 28 south. Further south from that location, construction of a 70,000 SF self-storage facility near the Windham town line also began in FY2014. Both of these facilities, as well as the earlier discussion about Webster's Corner, are an indication of interest in further expansion of the Route 28 South area of Town for future commercial and industrial activity.

Already in FY 2014, twenty-five residential building lots and one multi-family project have been approved by the Planning Board; construction of some of these new residences has already begun. Despite the current economic situation, the Town remains excited about its potential growth and is poised for commercial and industrial development in 2014 and beyond.

### ***Efforts and Accomplishment Focus***

The key accomplishments for FY 2013 include:

- opening of the Wal-Mart Super Center and other businesses within the Route 28 Corridor TIF District;
- completion of that TIF District's roadway improvements;
- completion of construction in Pinkerton Place (with all but one unit in the new building not occupied);
- Town Council's continued commitment to engineer and begin construction to expand water and sewer service on Route 28 south;
- completion of new commercial facilities and the reoccupation/rehabilitation of existing facilities;
- continued consideration of rezoning some areas of Town to enable enhanced economic development activity;
- Town's participation in the creation of the Robert Frost/Old Stage Coach Scenic Byway; and
- completion of new Career & Technology Education program buildings at Pinkerton Academy.

All of these accomplishments have been discussed in more detail earlier in this letter. The Town's involvement with and facilitation of the previously mentioned commercial development and related infrastructure activity during continuing difficult economic times foretells that healthy economic development continues and that the Town should be poised for significant activity once the economy recovers.

The Town continues to develop and nurture strong alliances with the Greater Derry/Londonderry Chamber of Commerce, the Derry Housing & Redevelopment Authority, Rockingham Economic Development Corporation, the Southern New Hampshire Planning Commission, the Derry Cooperative School District and the Downtown Committee. These alliances will contribute to improving the quality of life in Derry and its future social and economic growth. Efforts continued towards making Derry a “destination community”, as well as better balancing the tax burden. Additional efforts continued on a broader regional approach to economic development marketing through a regional organization called *Metro Center*. This collaborative effort is spear-headed by the Greater Manchester Chamber of Commerce and the involvement of surrounding communities.

### ***Financial Information***

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

As a recipient of federal, state and local financial assistance the government is also responsible for ensuring that an adequate internal control structure is in place to ensure document compliance with applicable laws and regulations related to programs. The internal control structure is subject to periodic evaluation by management and the internal audit staff of the government. Prior audits by the Federal Emergency Management Agency (FEMA) have confirmed the excellent controls and management that the Town has in place.

As a part of the government’s audit, tests were made of the government’s internal control structure. Although this testing was not sufficient to support an opinion on the government’s internal control system, the audit for the year ended June 30, 2013 disclosed no deficiencies in internal control that were considered to be material weaknesses.

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

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

## ***Fund Balance & Debt Management***

### ***Fund Balance***

The New Hampshire Department of Revenue Administration (DRA) supports the range recommended by the Government Finance Officers Association of the United States and Canada (GFOA) of 8% - 17% regarding retention of a percentage of total appropriations as unassigned fund balance. In NH, the calculation of regular general fund operating expenditures is the sum of the municipality's general fund operating appropriations, the education tax amount, the local school net tax commitment, and the county appropriation. Management's recommendation is to maintain a fund balance of at least 12.5%.

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 that new annual reconciliation provision of the Policy, \$2,856,658 was transferred at June 30, 2013 from unassigned fund balance to committed fund balance. Thus, the Town of Derry's unassigned general fund balance at June 30, 2013 equals 13% of total appropriations, including school and county. The unassigned fund balance remains strong and provides increased flexibility for all Town operations.

### ***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 plans to issue up to \$1.72 million of Water Fund bonds and \$1.73 million of Sewer Fund bonds during the first quarter of 2014 to complete a water and sewer expansion project that is intended to spur economic development.

Under current state statutes, the government's general obligation bonded debt issuance is subject to a local limitation based on a percentage of the Town's State of New Hampshire equalized assessed valuation. The Town's general fund is allowed to have as much as \$73.3 million of debt issued or authorized. As shown on Schedule 12 of the Statistical Section of this report, at June 30, 2013 only \$11.2 million of debt was applicable to this limitation, 15.34% of the allowed amount. Similarly with respect to the Town's Water Fund, \$244.3 million is allowed by Statute, while at June 30, 2013 \$2.5 million (1.03%). The Wastewater Fund, Landfill Closure and TIF District debt have no limits. Based on an estimated population of 33,220, general government bonded debt per capita, excluding the TIF bonds, was \$241 per Derry resident at June 30, 2013, up from the \$135 reported in the prior year. This increase is due to the issuance of new general obligation bonded debt during FY 2013 for construction of a new transfer station facility (\$4.0 million) and reconstruction of a roadway (\$1.0 million).

The government has an Aa2 rating from Moody's Investors Service for bonds issued by the Town prior to FY2013. In FY2013, Standard & Poor's assigned a rating of AA to the \$4.75 million of general obligation bonds issued and the \$1.25 million of general obligation refunding bonds. 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.

## **Other Information**

### ***Independent Audit***

The Town Charter requires an annual audit by an independent certified public accountant. The Town's Charter previously required that the audit firm be changed at least every five years. In September 2012, voters approved a Charter change that requires the Town to issue a 'request for proposal' for auditing services every five years but does not require that a new auditor be selected. Following a Request for Proposals for Auditing Services in early 2010, Melanson Heath & Company, PC, Nashua, NH was selected to audit the Town for three years beginning with FY 2010, with an option at the Town's sole discretion for an additional two years. The Town has exercised that option to continue the services of Melanson Heath.

The audit was designed to meet the requirements set forth in State statutes and was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The auditor's report on the basic financial statements, as well as combining and individual fund statements and schedules, is included in the financial section of this report.

### ***Awards***

The Government Finance Officers Association of the United States and Canada (GFOA) has once again awarded a Certificate of Achievement for Excellence in Financial Reporting to the Town of Derry, NH for its comprehensive annual financial report for the year ended

June 30, 2012. This was the fifteenth consecutive year that the Town has achieved this prestigious award. In order to be awarded a Certificate of Achievement a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

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

### ***Acknowledgments***

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

Respectfully submitted,

***Frank L. Childs***

Frank L. Childs  
Chief Financial Officer



Government Finance Officers Association

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

Presented to

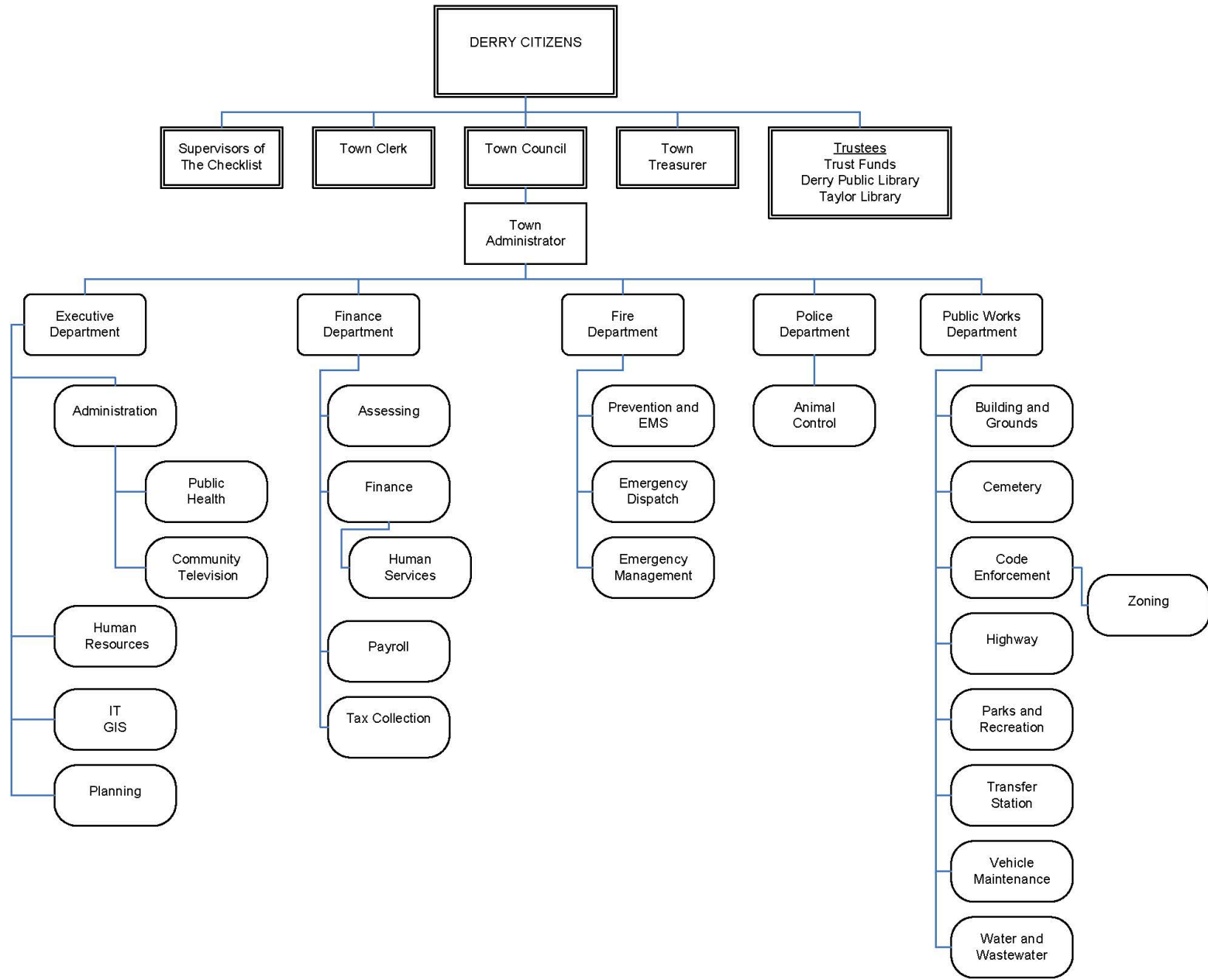
**Town of Derry  
New Hampshire**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2012**

A handwritten signature in black ink, reading "Jeffrey R. Egan". The signature is written in a cursive style.

Executive Director/CEO





**TOWN OF DERRY, NEW HAMPSHIRE  
PRINCIPAL OFFICIALS  
AS OF JUNE 30, 2013**

**Town Council**

Michael D. Fairbanks	Chair, Councilor-District #1
Bradley N. Benson	Councilor-at-Large
Phyllis M. Katsakiores	Councilor-at-Large
Mark Osborne	Councilor-at-Large
G. Thomas Cardon	Councilor-District #2
Neil F. Wetherbee	Councilor-District #3
Albert Dimmock, Sr.	Councilor-District #4

**Administration**

John P. Anderson	Town Administrator
Marlene L. Bishop	Animal Control Officer
David N. Gomez	Assessor
Margaret Ives	Chair, Conservation Commission
Karen Blandford-Anderson	Chair, Heritage Commission
David Granese	Chair, Planning Board
James C. Webb	Chair, Trustees of Trust Funds
Alan Virr	Chair, Zoning Board of Adjustment
Frank L. Childs	Chief Financial Officer
Edward B. Garone	Chief of Police
Robert S. Mackey	Code Enforcement Officer
Janice A. Mobsby	Controller
Susan S. Brown	Acting Director, Derry Public Library
Michael A. Fowler	Director of Public Works
Linda L. Merrill	Director, Taylor Library
George Klauber	Emergency Management Director
George Klauber	Fire Chief
Lawrence D. Budreau	Human Resources Director/ Assistant Town Administrator
Jill E. McLaughlin	Human Services Administrator
Eric H. Bodenrader	Parks & Recreation Director
George H. Sioras	Planning Director
Dawn K. Enwright	Tax Collector
Denise E. Neale	Town Clerk
Robert L. Gorham	Town Treasurer
Margaret Ives	Town Moderator

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## Financial Section



**Woodlands Generator Provides Water Distribution Backup**



MELANSON HEATH & COMPANY, PC  
CERTIFIED PUBLIC ACCOUNTANTS  
MANAGEMENT ADVISORS

**INDEPENDENT AUDITORS' REPORT**

To the Town Council  
Town of Derry, New Hampshire

**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, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Derry, New Hampshire as of June 30, 2013, 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 Management's Discussion and Analysis, Schedule of Funding Progress, and 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 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 December 16, 2013 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 + Company P.C.*

Nashua, New Hampshire  
December 16, 2013

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the financial performance of the Town of Derry, NH (the Town) is prepared by management to provide an overview of the Town's financial activities for the fiscal year ended June 30, 2013.

### A Brief Discussion of the Basic Financial Statements

#### Using This Annual Report

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

#### Reporting the Town as a Whole

One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net 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. You can think of the Town's net position---the difference between assets, liabilities and deferred transactions---as one way to measure the Town's financial health, or *financial* position. Over time, *increases* or *decreases* in the Town's net position is one indicator of whether its *financial* health is improving or deteriorating. You will need to consider other non-financial factors, however, such as changes in the Town's property tax base and the condition of the Town's roads, to assess the *overall health* of the Town.

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

Governmental activities – Most of the Town's basic services are reported here, including the police, fire, public works, 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 readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net 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---because of a trust arrangement---can be used only for the trust beneficiaries. All of the Town's fiduciary activities are reported in separate Statements of Fiduciary Net 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 Net Position government-wide (assets and deferred outflows minus liabilities and deferred inflows), as restated for governmental and business activities increased by \$.2 million to \$157.2 million, even after recognizing the growth in other post-employment benefit (OPEB) liability of \$1.1 million.
- Net Position restatement of \$2.1 million occurred due to the removal of Roadway Construction in Progress recorded in prior years based on the decision to allow the State of NH to retain ownership of an improved roadway in the Town's Tax Increment Financing (TIF) district. By the State retaining the ownership of the roadway, future costs relative to this road will be the responsibility of the State. The roadway improvements to the state-owned road have been restated to be an economic development expense. Comparative schedules have been restated.
- For Governmental Activities, the Town's unrestricted net position is \$13.5 million of the total \$126.4 million value. Unrestricted net position means that these funds are available to meet the Town's ongoing obligations and provides a benefit to the Citizens of Derry.
- The Total General Fund Balance increased by \$1.1 million to \$20.9 million.
- The Unassigned General Fund Balance that is available for future appropriation, decreased by \$1.5 million to \$11.3 million. Likewise, Committed General Fund balance increased \$2.9 million. The reason for the shift is that a new fund balance policy commits funds for future capital projects when unassigned general fund balance exceeds a certain threshold.
- New bonds were issued in 2013 - \$4 million for governmental activities and \$750,000 for business activities in the water and sewer funds. In addition, a \$1,250,000 bond was issued to refinance the municipal center bond in order to reduce bond costs with lower interest payments.
- The Town collected 98.4% of property taxes billed in the first year of the current tax levy.

## The Town as a Whole

### Government-Wide Financial Analysis

The following analysis focuses on net 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 two 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 \$156,313 when compared to the prior year restated of net position primarily because the favorable operating performance of the enterprise fund offset the \$1.1 million increase in other post-employment benefit (OPEB) liability for governmental activities.

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

	2013			2012		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
<b>Assets:</b>						
Current and other assets	\$ 73.2	\$ 5.8	\$ 79.0	\$ 67.7	\$ 3.8	\$ 71.5
Capital assets	113.6	29.5	143.1	113.2	30.6	143.8
<b>Total Assets</b>	<b>\$ 186.7</b>	<b>\$ 35.3</b>	<b>\$ 222.0</b>	<b>\$ 180.9</b>	<b>\$ 34.4</b>	<b>\$ 215.3</b>
<b>Liabilities:</b>						
Current liabilities	\$ 3.8	\$ 0.7	\$ 4.5	\$ 3.7	\$ 0.7	\$ 4.4
Long-term debt	20.5	3.8	24.3	16.3	3.4	19.7
<b>Total Liabilities</b>	<b>24.3</b>	<b>4.5</b>	<b>28.8</b>	<b>20.0</b>	<b>4.1</b>	<b>24.1</b>
<b>Deferred Inflows</b>	<b>36.0</b>	<b>0.0</b>	<b>36.0</b>	<b>34.1</b>	<b>0.0</b>	<b>34.1</b>
<b>Net Position:</b>						
Invested in capital assets, net of related debt	105.8	26.1	131.9	104.7	26.0	130.7
Restricted net assets	7.1	-	7.1	7.0	-	7.0
Unrestricted net assets	13.5	4.7	18.2	15.1	4.3	19.4
<b>Total Net Position</b>	<b>126.4</b>	<b>30.8</b>	<b>157.2</b>	<b>126.8</b>	<b>30.3</b>	<b>157.1</b>
<b>Deferred Inflows and Net Position</b>	<b>\$ 186.7</b>	<b>\$ 35.3</b>	<b>\$ 222.0</b>	<b>\$ 180.9</b>	<b>\$ 34.4</b>	<b>\$ 215.3</b>

## **Governmental Activities**

Net position totals \$126.4 million for governmental activities and includes \$105.8 million in capital assets, net of related debt. Capital assets, net of related debt, are not available for future spending. Capital Assets, net of related debt, is comprised of 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 (\$82.9 million) and provide a function to citizens of Derry, but would not be sold to fund future town obligations.

Restricted net assets of \$7.1 million are subject to use restrictions that are external to local government control and these funds are not available to pay for general town obligations. Permanent endowments comprise the majority of restricted net assets and are in the care of the town's Trustees of the Trust Funds.

Unrestricted net position total \$13.5 million – and are 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. This value provides a cash flow resource that enables the Town to meet its obligations without the need for temporary borrowing to pay its annual operating obligations. Unrestricted net assets are also available to fund future activities that may be appropriated. The NH Department of Revenue Administration and the Government Finance Officers Association recommends keeping a balance to sustain the strong financial health of our government. The 13% level currently retained as unassigned within the unrestricted net position balance is the maximum allowed by the Town's fund balance policy and also is slightly above the 12.5% midpoint of the 8-17% recommended range of appropriations required to fund town, county and school activities by taxes and other local government revenues.

## **Business Type Activities**

The Net Position of the water and sewer enterprises total \$30.8 million. The Capital assets of \$29.5 million in water and sewer pipes, pump stations, and lagoon infrastructure capital assets, offset by related debt of \$3.4 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 \$26.1 million of capital assets is not available to pay for future activities. The Unrestricted Net Position totaling \$4.7 million is available for future spending.

The following chart reflects the changes in Net Position separately for governmental and business type activities and in total.

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

	2013			2012		
	Governmental Activities	Business-type Activities	Total Primary Government	Governmental Activities	Business-type Activities	Total Primary Government
<b>Revenue</b>						
<u>Program revenue:</u>						
Charges for services	2.05	4.64	6.69	2.36	4.60	6.96
<u>Grants:</u>						
Operating grants	1.30	0.09	1.39	1.45	0.08	1.53
Capital grants	0.40	0.07	0.47	1.33	0.20	1.53
<u>General revenue:</u>						
Property taxes	24.82	-	24.82	23.67	-	23.67
Other general revenue	8.31	0.07	8.38	7.81	0.15	7.96
Total revenue	36.88	4.87	41.75	36.62	5.03	41.65
<u>Program expenses:</u>						
Town:						
General government	5.77		5.77	5.24		5.24
Public safety	19.71		19.71	20.09		20.09
Highway and streets	4.55		4.55	4.04		4.04
Health, welfare & housing	0.71		0.71	0.64		0.64
Sanitation	1.63		1.63	1.63		1.63
Culture and recreation	3.06		3.06	3.35		3.35
Conservation	0.02		0.02	0.01		0.01
Economic development	1.44		1.44	0.70		0.70
Interest on long-term debt	0.38		0.38	0.40		0.40
Water	-	2.34	2.34	-	2.31	2.31
Sewer	-	1.98	1.98	-	1.94	1.94
Total Program expenses	37.27	4.32	41.59	36.10	4.25	40.35
Changes in net assets before transfers and contributions to permanent funds	(0.39)	0.55	0.16	0.52	0.78	1.30
Transfers	0.02	(0.02)	-	0.01	(0.01)	-
Contributions to Permanent Fund principal	-	-	-	-	-	-
Increase (decrease) in net position	(0.37)	0.53	0.16	0.53	0.77	1.30

## **Governmental Activities**

Overall, total net position of governmental activities decreased by \$375,000 as greater long term liabilities were recorded without corresponding acquisition of capital assets.

Specifically, the phasing in of the Town's long term other post-employment benefit liability in accordance with Government Accounting Standards Board (GASB) statements 43 and 45, added approximately \$1.1 million to long term liabilities. The net Other Post Employment Benefit (OPEB) obligation of \$5.1 million for governmental activities represents the fifth year of a thirty year phase-in of debt recognizing the retiree's effect on the group healthcare insurance premiums. A value is provided to retirees either through direct subsidy payments or an implicit subsidy gained through lower insurance premiums than what a retiree might otherwise pay if the retiree was in a different plan than the other employees. The effect of this liability is calculated for current employees and retirees who are eligible for this benefit upon retirement.

Since the town continues to follow a "pay as we go" funding of these health care premiums, the impact of the accounting rule will continue to reduce the net position of the Town as the liability is incrementally recorded for the next twenty-five years. More information about this topic may be found in note 18 of the financial statements.

The other factor for a decrease in Net Position is that the town spent \$1.3 million raised by a bond issued in 2012 during 2013 for economic development for expansion of a state-owned roadway in the Route 28 TIF district which reduced assets while retaining debt.

Due to changes in accounting standards, unearned revenue is now called Deferred Inflow of Resources. Totalling \$36 million, this category includes the tax levy billed in May, 2013 that is used to fund the tax year July 1, 2013 to June 30, 2014. This increase is primarily due to the increase in the property tax commitment, which is raised not only for town services, but also for the county and school district.

The Net Cost of Services chart shown below demonstrates the financial impact that was placed on the Town's taxpayers by each of these functions of government. The Town's investment in public safety - fire, ambulance and police services, represents 53%, the largest share, of the net cost of Derry's local government.

Town of Derry, NH  
Net Cost of Services (in millions)  
For the year ended June 30,  
2013

	2013			2012		
	<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	\$ 19.7	\$ 1.9	\$ 17.8	\$ 20.1	\$ 2.1	\$ 18.0
General government	5.8	0.1	5.7	5.2	0.1	5.1
Highway and streets	4.5	1.1	3.4	4.1	2.1	2.0
Culture and recreation	3.0	0.2	2.8	3.4	0.2	3.2
Sanitation	1.6	0.4	1.2	1.6	0.5	1.1
Health & welfare	0.7	0.1	0.6	0.6	0.1	0.5
Economic Development	1.4	-	1.4	0.7	-	0.7
All others	0.6	-	0.6	0.4	-	0.4
Total	<u>37.3</u>	<u>3.8</u>	<u>33.5</u>	<u>36.1</u>	<u>5.1</u>	<u>31.0</u>

Net cost of services increased \$2.5 million, overall. The majority of the increase in cost of services is \$1.3 million lower revenue, \$.7 million increased economic development expense with the remaining \$.5 million primarily due to the increase in the cost of general government.

The primary factors affecting the changes noted above is \$.9 million less state grant revenue, increase costs associated with retirees, including the cost of other post-employment benefits that are included in the cost of general government, and \$250,000 lower ambulance revenue due to a delay in collections attributable to the recertification process with Medicare and Medicaid that occurred in late 2013.

### **Business Type Activities**

The net position for business activities increased \$532,000. The recognition of bond revenue and state grant revenue to replenish prior years' capital outlay and debt service expense for force main infrastructure, has also contributed to the increase in net position. The internal balances held for the water and sewer activities increased by \$813,000.

### ***Analysis of Balances and Transactions of Individual Funds***

#### **Governmental Funds**

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 \$33.5 million total fund balance for governmental funds, \$8.6 million is restricted and \$24.9 million is unrestricted.

The General Fund is the only major governmental fund of the Town and is the chief operating fund. Total general fund balance increased by \$1.1 million during 2013. Of the total \$20.9 million general fund balance, \$11.3 million was unassigned in the general fund on June 30, 2013. 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	2013	2012	Change	% of 2014 Property Tax Commitment
Unassigned	11,332,187	12,806,496	(1,474,309)	13%
Total	20,853,624	19,748,871	1,104,753	24%
Property Tax Commitment	86,587,238			

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

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

Use of Fund Balance	\$ (858,825)
Revenues greater than budgeted	912,396
Expenses lower than budgeted	1,311,589
Other	<u>260,407</u>
Total Changes	\$ <u>1,104,753</u>

Capital Reserve funds within the general fund balance are highlighted below. Notably, as a result of the new fund balance policy, \$2.9 million of previously unassigned fund balance



was allocated to committed capital reserves. These new reserves support funding of the Town's Capital Plan.

Committed Reserves	2013	2012	Change
Derry Public Library	\$ 13,557	\$ 13,514	\$ 40
Taylor Library	212,392	211,247	1,145
Information Technology	216,231	126,847	89,374
Emergency Management	6,401	4,389	2,012
Fire Apparatus	0	13,274	(13,274)
Fire Facilities & Equipment	263,741	419,571	(155,830)
Highway Winter Maintenance	105,994	105,647	347
Land & Building Fund	355,438	354,308	1,130
Parks Facilities Fund	106,915	106,575	340
Police Vehicles	719	717	2
Fire	979,834	0	979,834
Police	465,635	0	465,635
Public Works	1,351,199	0	1,351,199
Assessor Data Collection	0	19,229	(19,229)
Compensated Absences	3,585,458	3,493,173	92,285

The use of these reserves have 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 42 to 45.

### **Enterprise Fund Activities**

Both billed water and sewer usage increased over the prior year by \$13,000 and \$22,000, respectively. Dry weather conditions in the summer and spring of the past fiscal year contributed to the increase in billable volume. The decrease in snow melt and rain from the prior year resulted in an overall decrease of sewer in flows into the wastewater treatment plant. Despite lower inflow, billed usage revenues were higher since sewer usage is based primarily on water usage.

A small component to the increase in service revenue is impacted by new nine new water service connections and five new sewer connections. Impact to the consumption includes full year of last year's connections and partial year consumption for new services, but more importantly the weather.

Since a significant component of the cost of water service is the cost of purchased water from the neighboring water system. Revenue from the increased water consumption is offset by the town's direct water costs purchased from Manchester at wholesale rates.

In March 2013 the Council approved a 1% rate increase to water rates which was effective with the June 2013 billing. This resulted in a little less than a ¼ % billed water usage revenue increase.

There was no new extension of the water or sewer system's lines in 2013, but new service connections were implemented on existing lines. Local wastewater ordinances do not require property owners to hook into the sewer system until there is a septic system failure.

Both the water and sewer enterprises continue to generate operating income - \$242,000 for the water division and \$290,000 for the sewer division. With a continued growth in net position for both divisions, the enterprise funds continue to be operating effectively as they continue expand the water and sewer system in conjunction with their master plan.

### ***Analysis of Significant General Fund Budget Variations***

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

### **Original to Revised Budget Changes**

Within the Town's government structure, the Town Council is authorized to adopt supplemental appropriations from time to time outside of the normal budget process. This ability allows town government to more easily take advantage of opportunities that may arise during the year. The Town Council appropriates a "bottom line" budget for each department, which includes annual capital asset appropriations for each department.

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

One supplemental appropriation was authorized by the governing body in 2013:

The Town Council approved a supplemental appropriation of \$173,000 to fund the acquisition and demolition of a property at 8 Central Court.

The Town Council approved three budget transfers during the year from the Executive Department's contingency and economic development budget: \$65,000 was transferred to the Town Clerk Department for a substantial record preservation project that spanned 20 years of records and \$4,000 for additional voting machines. Also from Executive Department, \$16,750 was transferred to the Emergency Management Department for a portable electronic sign.

## **Final Budget to Actual Variances**

The General Fund performance exceeded revenue projections by \$.9 million and was affected by the following factors:

- Lower than budgeted tax abatements
- Higher than budgeted interest and penalties paid on delinquent property taxes
- Higher than budgeted motor vehicle registration revenue (\$.1 million)
- Unanticipated State aid for salt mitigation
- Lower than budgeted ambulance revenues (\$.3 million)
- Unanticipated insurance refund of health care premiums (\$.3 million)
- Lower than budgeted capital lease revenue (\$.1 million)

Overall, total general fund expenditures were \$1.3 million less than budgeted.

The highlights of the differences are listed below:

- Lower than budgeted Police personnel costs due to staffing turnover and one time insurance benefit cost reduction (\$.4 million)
- Lower than budgeted Executive personnel costs due to lack of union settlement and one time insurance benefits cost reduction (\$.3 million)
- Lower than budgeted Finance costs due to reduced assessing contract services of \$.1 million and budgeted transfers to capital reserves that are not an expense as the funds simply remain in committed general funds (\$.3 million)
- Lower than budgeted Public Works one time lower insurance benefits (\$.1 million)

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

## Capital Asset Activity

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

	2013			2012		
	Governmental Activities	Business-type Activities	Totals	Governmental Activities	Business-type Activities	Totals
Land	\$ 7,671,293	\$ 201,877	\$ 7,873,170	\$ 6,863,451	\$ 201,877	\$ 7,065,328
Buildings & Improvements	12,864,557	123,211	12,987,768	13,149,607	116,452	13,266,059
Vehicles & Equipment	3,914,646	402,372	4,317,018	3,782,387	273,650	4,056,037
Construction Work in Progress	438,223	587,754	1,025,977	1,134,190	153,163	1,287,353
Infrastructure & Improvements	85,986,558	27,559,034	113,545,592	85,420,454	28,181,610	113,602,064
Intangibles	2,673,614	583,433	3,257,047	2,680,706	583,433	3,264,139
Totals	<u>\$ 113,548,891</u>	<u>\$ 29,457,681</u>	<u>\$ 143,006,572</u>	<u>\$ 113,030,795</u>	<u>\$ 29,510,185</u>	<u>\$ 142,540,980</u>

## Governmental Activities

During 2013, the Town restated \$2.1 million in capital assets from 2012 related to the Route 28 corridor TIF project. The State of New Hampshire retained ownership of the roadway, traffic lights and sidewalks in this area and will be responsible for snow removal and maintenance. Separately, the 2013 additions to capital assets totaling \$2.7 million contributed to a net increase of \$.51 million on capital asset value after depreciation and asset disposals over the prior year. This increase was achieved with a combination of funding by taxes, capital reserves, grants, debt and use of fund balance.

Assets disposed during the year included fully depreciated aging vehicles and equipment with original cost values of \$315,300, infrastructure assets totaling \$225,100, the Ross Corner Intersection replaced within the Urban Compact Zone at \$67,100, an obsolete dam on Beaver Lake at \$33,300 and Tax Deeded Property values of \$27,500 that were sold.

The Town took delivery of (3) International Plow/Salt Trucks totaling \$511,200 in 2013. These state-of-the-art vehicles were eighty percent funded by Federal Sources via the first two phases of a NH Department of Transportation Salt Reduction Grant. The Town was awarded the grant due to the development and acceptance of a town wide salt use reduction plan that most importantly benefits the Beaver Brook Watershed.

Other additions included Sidewalk Infrastructure on Tsienneto Rd., the purchase of a downtown parcel for future economic development, a partial payment on a new Ambulance, a new efficient Sidewalk Plow and emergency repairs and improvements to the Meadow Dam which directly affects the water level of Beaver Lake.

Major acquisitions in 2013 are reported to the nearest thousand and are noted below:

- \$337,700 – 2012 International Plow/Salt Trucks (2)
- \$181,300 – Sidewalk Infrastructure – Tsienneto Rd.
- \$174,100 – 8 Central St Parcel (Future Economic Development)
- \$173,500 – 2012 International Plow/Salt Truck
- \$154,600 – 2013 Greenwood Ambulance (partial)
- \$135,000 – 2012 Prinoth SW4S Track Sidewalk Plow
- \$133,200 – Police Station Parking Lot Improvements
- \$ 90,600 – Meadow Dam Improvement

The Town measures value using the historical cost or estimated fair value of roadway infrastructure system in its capital assets.

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

In 2003, the Town of Derry adopted a conditional assessment PCI rating range of 68-80 for its roadway maintenance program, which is considered a “Good” assessment. In 2013, a review year, a PCI rating of 76 was noted, which continues to be in the desired range adopted by the Town Council. This PCI rating takes the baseline level that was adopted at last full review, and updates the system related to improvements to the system. Hence, the PCI indicator in any interim year maybe slightly overstated, but improvement to the rating reflects the progressive improvements in the roadway system since the last full system review. Interim ratings do not reflect the impact of other roads that may deteriorate during the rating period. The Town currently estimates that an annual expenditure of \$1,380,000 would be required to maintain the current rating level. In 2013, \$1,315,000 was expended to maintain the roadways, a slight decrease of \$60,000 from 2012.

The Town is able to continue to value its roadway and sidewalk networks without depreciation because the Town continues to investing and these assets at a measured and sustained level that demonstrates that the road and sidewalk infrastructure, as a whole, is not deteriorating.

### **Business Type Activities**

Primary capital investment in 2013 is reported to the nearest thousand as noted below:

- \$222,600 – Woodland Community Well Improvements
- \$76,200 – Wastewater Lagoon Stabilization project

Investment in the Woodland Community Well system improved water quality and added a permanent generator to sustain water flow in emergencies. Investment in capital assets was slightly below the pace of depreciation, resulting in a net decrease in value of \$53,000 for business type activities due to timing of projects. For example, construction of the first phase of a \$3.9 million water and sewer expansion along Route 28/Rockingham Road towards Salem has been completed at this writing.

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

## Long-Term Debt

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

Town of Derry, NH Outstanding Bond Debt As of June 30, (in millions)						
	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
General obligation bonds (Backed by the Town)	\$ 7.99	\$ 4.45	\$ 3.67	\$ 3.49	\$ 11.66	\$ 7.94
Tax increment financing bond	5.00	5.08	-	-	5.00	5.08
	<u>\$ 12.99</u>	<u>\$ 9.53</u>	<u>\$ 3.67</u>	<u>\$ 3.49</u>	<u>\$ 16.66</u>	<u>\$ 13.02</u>
Annual change (decrease)	3.46		0.18		3.64	
Percent change	36.3%		5.2%		28.0%	

## Governmental Activities

The Town of Derry was rated AA by Standard and Poor in the spring of 2013 for credit worthiness.

In 2013, the Town issued a \$4 million bond for a \$3,000,000 transfer station capital project to enhance recycling revenue and \$1,000,000 to fund road and bridge improvements on Rockingham Road.

The Town also refinanced a bond for the municipal center building for \$1,250,000 effectively lowering the interest rate from over 4.25% to less than 1.3% while retaining the same maturity date in 2021.

The State of New Hampshire limits general obligation debt to 3% of the assessed value of all taxable property within the Town's corporate limits. The Town's borrowing level is well below the limit imposed. Derry's outstanding general obligation debt of \$7,990,000 plus authorized debt of \$7,194,779 is 80% below the \$73 million cap imposed by the State of NH – reflecting a favorable borrowing capacity for a community the size of Derry.

Other obligations include accrued vacation pay, sick leave and other post-employment benefits (OPEB). More detailed information about the Town's long-term liabilities is presented in Note 13 to the financial statements.

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

### **Business Type Activities**

In 2013, \$500,000 of bond debt was issued for the water fund to improve the Woodlands community well system and as well as expand service in the Rockingham Road area. The Wastewater fund added \$250,000 in bond debt to fund the Rockingham Road area sewer expansion in conjunction with the Town's master plan.

Annual debt service offset the added bond debt, thus only increasing bond debt by \$180,000.

### ***Known Facts, Decisions, or Conditions Currently***

#### **Economic Factors and Next Year's Budgets and Rates**

Inflation in the Greater Boston metropolitan area that includes the Town was less than the increase in the US City Average Consumer Price Index (CPI). The CPI rate increased 1.6% for the local area compared to the national increase of 2.1%. Higher energy, transportation, food and medical costs nationwide has attributed to the increase.

The Town Services budget for fiscal year ending June 30, 2014 was set \$.22 below the amount allowed by the tax cap that enables growth in line with the increase in the Consumer Price Index (CPI) of 2.1%. The tax rate that covers the 2013 fiscal year budget was set at \$31.59, of which town services represents \$10.39 of the tax rate, the same as in 2013. The average homeowner's tax bill increased 3.3% primarily due to the increased cost of the school appropriations and a small increase in the state education rate. The town's overall valuation did increase by .7% due to added property values from new construction, additions and remodeling.

The 2014 Capital Improvement Plan proposed expenditures of \$1.65 million that include \$1.29 million for vehicles and equipment replacement for Fire, Police, Public Works Divisions and Cable, \$.36 million for Fire, Police, Administration, Public Works Divisions and Library facilities. The funding of this capital plan is budgeted using the following sources: 42.7% from leases, 31.1% from trusts and capital and 26.2% from taxes and other capital contributions. There are (2) replacement vehicles for Highway that will be funded 80% via a Federal pass thru grant from New Hampshire Department of Transportation. These vehicles will be similar to the (3) vehicles we purchased in 2013 that were fitted with environmentally friendly road salt spreading equipment and were also reimbursable at 80%.

The adopted 2014 business-type activities portion of the Capital Improvement plan totals \$1.66 million. Investments are \$.80 million in water and wastewater infrastructure which includes \$.58 million for a new booster station on Rockingham Road, \$.62 million for removal and disposal of sludge from the Wastewater Treatment Plant and \$.24 million for vehicle and equipment replacements. All of these expenditures will be funded by budgeted user fees or long term debt.

Since the governing body has not increased the Town Services portion of the tax rate since 2012, the 2014 budget was challenging. As it has been for the past several years, it is difficult to continue to sustain the level of service to the residents as personnel cost continue to rise, especially those related to health and retirement. The continued national and local economic downturn also added pressure to sustaining the current service level. In the 2014 budget, two full-time positions were added without impacting the tax rate. Water/Wastewater added a Utility Worker, a position funded by Water/Wastewater user fees and Public Health added a regional Drug Misuse Prevention Coordinator which is funded by grants from the New Hampshire Department of Human Services and the New Hampshire Charitable Foundation.

Until 2006, median home prices for the purchase of a primary home in New Hampshire continued to rise. The purchase price of a new home in New Hampshire had increased from 2003 to 2006 by 17%, while the purchase price of existing homes had increased 19% during the same period. Following national trends primarily due to the ongoing credit crisis, for the years 2007 & 2008, the purchase price for a new home fell 6% compared to the 2006 average and the purchase price of an existing home fell 3%. In 2012, home prices fell 1.0% compared to 2011 averages but overall sales volume increased 18.8%. The overall median purchase price as of October 2013 for all homes increased 8.2% over the same period in 2012. Overall sales volume increased 13.5%. As of April 1, 2013, the assessed value of property in Derry is 92.0% of market value according to the state's equalization ratio study of the New Hampshire Department of Revenue Administration.

Based on 2012 statistics reported by the U.S. Dept. of Commerce, Bureau of Economic Analysis, the State of NH's per capita annual income (\$47,058) increased 2.6% over 2011 and exceeded the national level of 9.3% and remained ranked as the 9th highest in the nation. While Derry's per capita income is lower than the state level, the town's median household income of \$64,136 is higher than the state average of \$63,168. The 45 to 64



age group in Derry had the highest median income at \$80,500. Due to the slow growth of the economy, people are electing to remain in the workforce rather than retiring. Derry's per capita income is affected by the higher proportional share of school age children in its population compared to the State. The Town hosts the largest high school in the State, Pinkerton Academy.

The unemployment rate (not seasonally adjusted) in Derry at June 30, 2013 was 5.5%, a decrease from 6.7% at June 30, 2012. Derry residents continue to fare better than the national average of 7.4% but the rate remains higher than the overall state rate of 5.1%. Derry's unemployment rate increased to 6.1% during the July–October 2013 period. However, the state rate dropped to 5.0% at the end of October. Across the state, job creation has been stronger, reaching pre-recession levels. This trend is a generally positive indicator for the region. Retail and Health Care sectors are the largest employers presently in the state, both of which have a presence in Derry. Manufacturing is a distant third. There have been reports that some manufacturing jobs remain unfilled due to the lack of trained workers due to the technology advances that have occurred. Local trade schools, as well as Pinkerton Academy, the Town's high school, is offering programs to train the less than age 20 age group in a number of fields which over time will help fill these skilled positions.

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

### **Contacting the Town's Financial Management**

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



**Trailer Storage Building Damaged by Hurricane Sandy**

TOWN OF DERRY, NEW HAMPSHIRE  
STATEMENT OF NET POSITION  
JUNE 30, 2013

	Governmental <u>Activities</u>	Business- Type <u>Activities</u>	Government Wide <u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and cash equivalents	\$ 43,855,326	\$ -	\$ 43,855,326
Investments	23,213,259	504,713	23,717,972
Taxes receivable	8,425,154	-	8,425,154
Accounts receivable, net	445,758	784,889	1,230,647
Due from other governments	156,639	-	156,639
Internal balances	(3,374,366)	3,374,366	-
Prepaid items	57,364	11,158	68,522
Total current assets	<u>72,779,134</u>	<u>4,675,126</u>	<u>77,454,260</u>
Noncurrent:			
Accounts receivable, net	235,840	234,050	469,890
Due from other governments	180,154	926,175	1,106,329
Capital assets:			
Non-depreciable capital assets	89,062,665	1,373,064	90,435,729
Depreciable capital assets, net	24,486,226	28,084,618	52,570,844
Total non-current assets	<u>113,964,885</u>	<u>30,617,907</u>	<u>144,582,792</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 186,744,019</u></b>	<b><u>\$ 35,293,033</u></b>	<b><u>\$ 222,037,052</u></b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
Liabilities:			
Current:			
Accounts payable	1,187,135	200,283	1,387,418
Accrued expenses	687,537	13,832	701,369
Retainage payable	-	3,670	3,670
Deposits payable	31,809	-	31,809
Due to other governments	3,319	-	3,319
Other liabilities	181,654	-	181,654
Current portion of long-term liabilities:			
General obligation bonds payable	740,000	430,000	1,170,000
Tax increment financing bonds payable	80,000	-	80,000
Capital leases payable	218,677	-	218,677
Compensated absences	724,523	29,670	754,193
Estimated liability for landfill postclosure care costs	13,255	-	13,255
Total current liabilities	<u>3,867,909</u>	<u>677,455</u>	<u>4,545,364</u>
Noncurrent:			
General obligation bonds payable	7,250,000	3,235,000	10,485,000
Tax increment financing bonds payable	4,920,000	-	4,920,000
Capital leases payable	480,138	-	480,138
Compensated absences	3,113,875	127,502	3,241,377
Other post-employment benefits payable	4,682,890	418,359	5,101,249
Estimated liability for landfill postclosure care costs	37,216	-	37,216
Total non-current liabilities	<u>20,484,119</u>	<u>3,780,861</u>	<u>24,264,980</u>
<b>TOTAL LIABILITIES</b>	<b><u>24,352,028</u></b>	<b><u>4,458,316</u></b>	<b><u>28,810,344</u></b>
Deferred Inflows of Resources	35,970,668	21,752	35,992,420
Net Position:			
Net investment in capital assets	105,780,715	26,070,283	131,850,998
Restricted for:			
Endowments - permanently restricted	5,187,787	-	5,187,787
Permanent funds - spendable	1,045,086	-	1,045,086
Conservation	522,856	-	522,856
Economic development	153,081	-	153,081
Fire district	216,186	-	216,186
Unrestricted	<u>13,515,612</u>	<u>4,742,682</u>	<u>18,258,294</u>
<b>TOTAL NET POSITION</b>	<b><u>126,421,323</u></b>	<b><u>30,812,965</u></b>	<b><u>157,234,288</u></b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b><u>\$ 186,744,019</u></b>	<b><u>\$ 35,293,033</u></b>	<b><u>\$ 222,037,052</u></b>

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, 2013

	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General government	\$ 5,770,858	\$ 128,466	\$ 6,630	\$ -
Public safety	19,705,078	1,307,973	617,083	-
Highways and streets	4,550,329	41,149	580,337	402,110
Health and welfare	712,326	30,275	93,257	-
Sanitation	1,632,599	382,358	-	-
Culture and recreation	3,062,131	159,898	275	-
Conservation	24,136	-	-	-
Economic development	1,440,817	-	-	-
Interest on long-term debt	375,763	-	-	-
Total Governmental Activities	37,274,037	2,050,119	1,297,582	402,110
<b>Business-Type Activities:</b>				
Water	2,345,410	2,546,316	19,112	-
Sewer	1,978,125	2,093,096	72,176	65,771
Total Business-Type Activities	4,323,535	4,639,412	91,288	65,771
Total primary government	\$ <u>41,597,572</u>	\$ <u>6,689,531</u>	\$ <u>1,388,870</u>	\$ <u>467,881</u>

**General Revenues:**

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

Total general revenues and transfers

Change in Net Position

**Net Position:**

Beginning of year, as restated

End of year

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

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business- Type Activities	Total
\$ (5,635,762)	\$ -	\$ (5,635,762)
(17,780,022)	-	(17,780,022)
(3,526,733)	-	(3,526,733)
(588,794)	-	(588,794)
(1,250,241)	-	(1,250,241)
(2,901,958)	-	(2,901,958)
(24,136)	-	(24,136)
(1,440,817)	-	(1,440,817)
(375,763)	-	(375,763)
(33,524,226)	-	(33,524,226)
-	220,018	220,018
-	252,918	252,918
-	472,936	472,936
(33,524,226)	472,936	(33,051,290)
24,818,369	-	24,818,369
5,072,002	-	5,072,002
1,594,268	-	1,594,268
615,937	18,886	634,823
1,033,023	55,118	1,088,141
15,330	(15,330)	-
33,148,929	58,674	33,207,603
(375,297)	531,610	156,313
126,796,620	30,281,355	157,077,975
\$ 126,421,323	\$ 30,812,965	\$ 157,234,288

## TOWN OF DERRY, NEW HAMPSHIRE

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2013

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 43,854,480	\$ 847	\$ 43,855,327
Investments	16,447,908	6,765,350	23,213,258
Taxes receivable	8,425,154	-	8,425,154
Accounts receivable, net	363,198	82,560	445,758
Due from other governments	15,118	321,675	336,793
Due from other funds	-	5,745,699	5,745,699
Prepaid items	56,696	668	57,364
Other assets	<u>235,840</u>	<u>-</u>	<u>235,840</u>
TOTAL ASSETS	<u>\$ 69,398,394</u>	<u>\$ 12,916,799</u>	<u>\$ 82,315,193</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 1,043,003	\$ 144,133	\$ 1,187,136
Accrued expenditures	600,408	-	600,408
Deposits payable	-	31,809	31,809
Due to other governments	3,319	-	3,319
Due to other funds	9,001,550	118,515	9,120,065
Other liabilities	<u>181,654</u>	<u>-</u>	<u>181,654</u>
TOTAL LIABILITIES	10,829,934	294,457	11,124,391
Deferred Inflows of Resources	37,714,836	-	37,714,836
Fund Balances:			
Nonspendable	56,696	5,368,609	5,425,305
Restricted	433,634	5,654,376	6,088,010
Committed	8,079,779	1,675,203	9,754,982
Assigned	951,328	-	951,328
Unassigned	<u>11,332,187</u>	<u>(75,846)</u>	<u>11,256,341</u>
TOTAL FUND BALANCES	<u>20,853,624</u>	<u>12,622,342</u>	<u>33,475,966</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 69,398,394</u>	<u>\$ 12,916,799</u>	<u>\$ 82,315,193</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, 2013

<b>Total governmental fund balances</b>	\$ 33,475,966
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	113,548,891
• Property taxes and other revenues are recognized on an accrual basis in the statement of net position, not the modified accrual basis	1,877,560
• Long-term liabilities, including bonds payable and net OPEB obligation, are not due and payable in the current period and, therefore, are not reported in the governmental funds. Long-term liabilities at year end consist of:	
General obligation bonds payable	(7,990,000)
Tax increment financing bonds payable	(5,000,000)
Capital leases payable	(698,815)
Accrued interest on long-term obligations	(87,129)
Estimated liability for landfill postclosure care costs	(50,471)
Other post-employment benefits payable	(4,682,890)
Compensated absences payable	(3,838,398)
• Other (gain on refunding)	<u>(133,391)</u>
<b>Net position of governmental activities</b>	<u><u>\$ 126,421,323</u></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, 2013

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 24,765,534	\$ 82,850	\$ 24,848,384
Licenses and permits	5,064,691	327,724	5,392,415
Intergovernmental	3,015,598	282,148	3,297,746
Charges for services	1,728,231	1,476	1,729,707
Interest and investment income	184,772	431,165	615,937
Miscellaneous	941,309	33,713	975,022
Total Revenues	35,700,135	1,159,076	36,859,211
<b>Expenditures:</b>			
Current operations:			
General government	4,779,016	214,359	4,993,375
Public safety	18,300,785	190,248	18,491,033
Highways and streets	3,875,157	191	3,875,348
Health and welfare	574,114	89,525	663,639
Sanitation	1,558,572	253	1,558,825
Culture and recreation	2,619,112	28,199	2,647,311
Conservation	17,460	6,676	24,136
Economic development	42,628	-	42,628
Capital outlay	1,951,744	2,023,767	3,975,511
Debt service:			
Principal retirement	930,539	-	930,539
Interest and fiscal charges	401,483	-	401,483
Intergovernmental	-	10,074	10,074
Total Expenditures	35,050,610	2,563,292	37,613,902
Excess (deficiency) of revenues over expenditures	649,525	(1,404,216)	(754,691)
<b>Other Financing Sources (Uses):</b>			
Issuance of notes	-	4,000,000	4,000,000
Bond premium	3,787	-	3,787
Issuance of refunding debt	1,250,000	-	1,250,000
Payments to refunding escrow	(1,228,676)	-	(1,228,676)
Proceeds from sale of capital assets	70,654	-	70,654
Capital leases	203,068	-	203,068
Transfers in	496,535	102,086	598,621
Transfers out	(340,140)	(243,151)	(583,291)
Total Other Financing Sources (Uses)	455,228	3,858,935	4,314,163
Change in fund balance	1,104,753	2,454,719	3,559,472
Fund Balance at beginning of year	19,748,871	10,167,623	29,916,494
Fund Balance at end of year	\$ 20,853,624	\$ 12,622,342	\$ 33,475,966

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, 2013

<b>Net changes in fund balances - Total governmental funds</b>	<b>\$ 3,559,472</b>
Amounts reported for governmental activities in the statement of activities are different because:	
<ul style="list-style-type: none"> <li>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</li> </ul>	
Capital asset purchases	2,660,342
Depreciation	(1,854,412)
<ul style="list-style-type: none"> <li>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.</li> </ul>	(287,834)
<ul style="list-style-type: none"> <li>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.</li> </ul>	(39,573)
<ul style="list-style-type: none"> <li>Issuance of general obligation bonds is an other financing source on governmental funds, but is reported in long-term liabilities in the statement of net position.</li> </ul>	(4,000,000)
<ul style="list-style-type: none"> <li>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.</li> </ul>	930,539
<ul style="list-style-type: none"> <li>Capital lease issues are other financing sources in the governmental funds, but the capital lease issues increase long-term liabilities in the Statement of Net Position.</li> </ul>	(203,068)
<ul style="list-style-type: none"> <li>In the Statement of Activities, interest is accrued on outstanding bonds and capital leases, whereas in governmental funds, an interest expenditure is reported when done.</li> </ul>	25,720
<ul style="list-style-type: none"> <li>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.</li> </ul>	
Compensated absences	(26,848)
Other post-employment benefits	(1,031,117)
Estimated liability for landfill post-closure care costs	12,006
Other	<u>(120,524)</u>
<b>Change in net position of governmental activities</b>	<b>\$ <u>(375,297)</u></b>

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, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
<b>Revenues and Other Sources:</b>				
Taxes	\$ 24,076,971	\$ 24,076,971	\$ 24,765,534	\$ 688,563
Licenses and permits	4,941,764	4,941,764	5,064,691	122,927
Intergovernmental	2,518,338	2,678,088	3,015,598	337,510
Charges for services	2,143,215	2,143,215	1,728,231	(414,984)
Miscellaneous	594,972	594,972	1,196,735	601,763
Use of fund balance	675,125	858,825	858,825	-
Issuance of bonds and notes	4,000,000	4,000,000	4,000,000	-
Issuance of capital leases	250,060	250,060	203,068	(46,992)
Transfers in	872,926	872,926	496,535	(376,391)
Total Revenues and Other Sources	40,073,371	40,416,821	41,329,217	912,396
<b>Expenditures and Other Uses:</b>				
Prevention and emergency services	10,665,390	10,665,390	10,603,580	61,810
Emergency management	60,202	76,952	53,599	23,353
Police and animal control	8,630,565	8,630,565	8,217,855	412,710
Executive	1,635,465	1,549,715	1,287,252	262,463
Finance	4,207,279	4,390,979	4,075,185	315,794
Town clerk and elections	184,912	253,912	230,082	23,830
Libraries	1,322,217	1,322,217	1,309,106	13,111
Planning	263,050	263,050	250,558	12,492
Tax increment financing district	253,638	253,638	206,719	46,919
Public works	12,850,653	13,010,403	12,871,296	139,107
Total Expenditures and Other Uses	40,073,371	40,416,821	39,105,232	1,311,589
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>2,223,985</u>	\$ <u>2,223,985</u>

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

## TOWN OF DERRY, NEW HAMPSHIRE

## PROPRIETARY FUNDS

## STATEMENT OF NET POSITION

JUNE 30, 2013

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>ASSETS</b>			
Current:			
Investments	\$ 20,491	\$ 484,222	\$ 504,713
Accounts receivable, net	379,978	404,911	784,889
Due from other funds	2,516,912	857,454	3,374,366
Prepaid items	<u>4,821</u>	<u>6,337</u>	<u>11,158</u>
Total current assets	2,922,202	1,752,924	4,675,126
Noncurrent:			
Accounts receivable, net	160,501	73,549	234,050
Due from other governments	-	926,175	926,175
Non-depreciable capital assets	655,010	718,054	1,373,064
Depreciable capital assets, net	<u>10,109,002</u>	<u>17,975,616</u>	<u>28,084,618</u>
Total noncurrent assets	<u>10,924,513</u>	<u>19,693,394</u>	<u>30,617,907</u>
TOTAL ASSETS	<u>\$ 13,846,715</u>	<u>\$ 21,446,318</u>	<u>\$ 35,293,033</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>			
Liabilities:			
Current:			
Accounts payable	\$ 144,811	\$ 55,472	\$ 200,283
Accrued expenses	7,027	6,805	13,832
Retainage payable	3,670	-	3,670
Current portion of long-term liabilities:			
Bonds payable	70,000	360,000	430,000
Compensated absences	<u>14,835</u>	<u>14,835</u>	<u>29,670</u>
Total current liabilities	240,343	437,112	677,455
Noncurrent:			
Bonds payable	730,000	2,505,000	3,235,000
Compensated absences	63,751	63,751	127,502
Other post-employment benefits payable	<u>259,863</u>	<u>158,496</u>	<u>418,359</u>
Total noncurrent liabilities	<u>1,053,614</u>	<u>2,727,247</u>	<u>3,780,861</u>
TOTAL LIABILITIES	1,293,957	3,164,359	4,458,316
Deferred Inflows of Resources	17,098	4,654	21,752
Net Position:			
Net investment in capital assets	10,108,422	15,961,861	26,070,283
Unrestricted	<u>2,427,238</u>	<u>2,315,444</u>	<u>4,742,682</u>
TOTAL NET POSITION	<u>12,535,660</u>	<u>18,277,305</u>	<u>30,812,965</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<u>\$ 13,846,715</u>	<u>\$ 21,446,318</u>	<u>\$ 35,293,033</u>

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, 2013

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 2,546,316	\$ 2,093,096	\$ 4,639,412
Miscellaneous	<u>12,929</u>	<u>39,773</u>	<u>52,702</u>
Total Operating Revenues	2,559,245	2,132,869	4,692,114
<b>Operating Expenses:</b>			
Personnel services	863,445	857,123	1,720,568
Repairs and maintenance	262,660	93,234	355,894
Materials and supplies	91,024	53,125	144,149
Utilities	838,120	252,443	1,090,563
Depreciation	224,146	476,531	700,677
Miscellaneous	<u>49,258</u>	<u>129,528</u>	<u>178,786</u>
Total Operating Expenses	<u>2,328,653</u>	<u>1,861,984</u>	<u>4,190,637</u>
Operating Income	230,592	270,885	501,477
<b>Nonoperating Revenues (Expenses):</b>			
Interest revenue	14,045	4,841	18,886
Intergovernmental revenue	19,112	72,176	91,288
Other revenue	2,416	-	2,416
Interest expense	<u>(16,757)</u>	<u>(116,141)</u>	<u>(132,898)</u>
Total Nonoperating Revenues (Expenses), Net	<u>18,816</u>	<u>(39,124)</u>	<u>(20,308)</u>
Income Before Capital Contributions and Transfers	249,408	231,761	481,169
Capital contributions	-	65,771	65,771
Transfers in from other funds	<u>(7,662)</u>	<u>(7,668)</u>	<u>(15,330)</u>
Change in Net Position	241,746	289,864	531,610
Net Position at Beginning of Year	<u>12,293,914</u>	<u>17,987,441</u>	<u>30,281,355</u>
Net Position at End of Year	<u>\$ 12,535,660</u>	<u>\$ 18,277,305</u>	<u>\$ 30,812,965</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, 2013

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b><u>Cash Flows From Operating Activities:</u></b>			
Cash received from customers	\$ 2,493,210	\$ 2,073,771	\$ 4,566,981
Other operating cash receipts	12,929	39,773	52,702
Cash paid for interfund services provided	(585,272)	(227,784)	(813,056)
Cash paid to suppliers	(1,186,195)	(519,828)	(1,706,023)
Cash paid to employees	(807,014)	(816,342)	(1,623,356)
Net Cash Provided by (Used in) Operating Activities	(72,342)	549,590	477,248
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>			
Intergovernmental revenue	38,224	4,404	42,628
Transfers from other funds	(7,662)	(7,668)	(15,330)
Net Cash Provided by (Used in) Noncapital Financing Activities	30,562	(3,264)	27,298
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>			
Capital contributions	-	65,771	65,771
Purchases of capital assets	(413,394)	(234,780)	(648,174)
Principal paid on bonds payable	(50,000)	(521,078)	(571,078)
Proceeds from debt refinancing and other	510,427	254,654	765,081
Interest paid on long-term debt	(16,757)	(116,141)	(132,898)
Net Cash Provided by (Used in) Capital and Related Financing Activities	30,276	(551,574)	(521,298)
<b><u>Cash Flows From Investing Activities:</u></b>			
Sale (purchase) of investments	(2,541)	407	(2,134)
Interest on investments	14,045	4,841	18,886
Net Cash Provided By Investing Activities	11,504	5,248	16,752
Cash and cash equivalents at beginning of year	-	-	-
Cash and cash equivalents at end of year	\$ -	\$ -	\$ -
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used in) Operating Activities:</u></b>			
Operating income	\$ 230,592	\$ 270,885	\$ 501,477
Adjustments to reconcile operating income to net cash provided by (used in) operating activities:			
Depreciation expense	224,146	476,531	700,677
Changes in assets and liabilities:			
Accounts receivable, net	(53,106)	(19,325)	(72,431)
Due from other funds	(585,272)	(227,784)	(813,056)
Prepaid items	(275)	619	344
Accounts payable	50,966	13,501	64,467
Accrued expenses	506	(5,618)	(5,112)
Retainage payable	3,670	-	3,670
Compensated absences	4,284	4,284	8,568
Other post-employment benefits	52,147	36,497	88,644
Net Cash Provided by (Used in) Operating Activities	\$ (72,342)	\$ 549,590	\$ 477,248

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, 2013

	Private Purpose Trust Funds	Agency Funds
<b><u>ASSETS</u></b>		
Cash and cash equivalents	\$ -	\$ 759,096
Investments	<u>384,386</u>	<u>182,200</u>
Total Assets	<u>\$ 384,386</u>	<u>\$ 941,296</u>
<b><u>LIABILITIES</u></b>		
Due to other governments	\$ -	\$ 182,200
Deposits held for others	<u>-</u>	<u>759,096</u>
Total Liabilities	-	941,296
<b><u>NET POSITION</u></b>		
Held in trust	<u>384,386</u>	<u>-</u>
Total Liabilities and Net Position	<u>\$ 384,386</u>	<u>\$ 941,296</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, 2013

	Private Purpose Trust <u>Funds</u>
<b>Additions:</b>	
Investment earnings:	
Investment income	\$ 14,299
Net increase in the fair value of investments	<u>11,625</u>
Total investment earnings	25,924
Less investment expense	<u>(1,458)</u>
Net investment earnings	24,466
 <b>Deductions:</b>	
Benefits	<u>8,901</u>
Total deductions	<u>8,901</u>
 Change in net position	15,565
 <b>Net position:</b>	
Beginning of year	<u>368,821</u>
 End of year	<u><u>\$ 384,386</u></u>

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

# TOWN OF DERRY, NEW HAMPSHIRE

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

The Government is a municipal corporation governed by an elected Town Council. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2013, it was determined that no entities met the required GASB 39 criteria of component units.

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

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

##### Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net 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 Government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Government reports the following major governmental fund:

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

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

The government reports the following major proprietary funds:

- The *water fund* accounts for 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 and Short-Term Investments

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

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

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

#### *E. Investments*

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

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

#### *F. Interfund Receivables and Payables*

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

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

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

#### *G. Prepaid Items*

Payments made to vendors for services that will benefit periods beyond June 30, 2013 are recorded as prepaid items. Prepaid items are recognized using the consumption method.

#### *H. Inventories*

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

#### *I. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets, (for enterprise funds only) and intangibles are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Government as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated

historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

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

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

*J. Compensated Absences*

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

*K. Long-Term Obligations*

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

*L. Fund Equity*

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

### **M. Use of Estimates**

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

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

### **A. Budgetary Information**

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

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

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

### **B. Budgetary Basis**

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

### **C. Legal Level of Control**

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

D. Limitation of Budget Increases

During 2004, the Town amended Section 9.4 of the Derry Town Charter regarding the limitation of budget increases. In accordance with this amendment, the Town Council, in establishing a municipal budget, shall be allowed to assume an estimated property tax rate only in an amount equal to the equalized tax rate established during the prior fiscal year increased by a factor equal to the change in the National Consumer Price Index as published by the United States Department of Labor for the calendar year immediately preceding budget adoption. The exception to this limitation regarding the inclusion of principal and interest on municipal bonds remained unchanged. 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)	\$ 35,700,135	\$ 35,050,610
Other financing sources/uses (GAAP Basis)	<u>2,024,044</u>	<u>1,568,816</u>
Subtotal (GAAP Basis)	37,724,179	36,619,426
Reverse expenditures of prior year appropriation carryforwards	-	(576,997)
To book current year appropriation carryforwards	-	291,479
To reverse refunding	(1,253,787)	(1,228,676)
To gross up issuance of debt and transfers out	4,000,000	4,000,000
To record use of fund balance	<u>858,825</u>	<u>-</u>
Budgetary Basis	<u>\$ 41,329,217</u>	<u>\$ 39,105,232</u>

#### *F. Deficit Fund Equity*

The Route 28 TIF Fund had a deficit of \$75,846 at June 30, 2013, which will be eliminated through grant reimbursements from the State of New Hampshire.

### **3. Cash and Investments**

#### *A. Custodial Credit Risk*

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

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

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

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

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



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

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

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

As of June 30, 2013, \$1,269,020 out of the Town's bank balance of \$24,590,610 was exposed to custodial credit risk as uninsured or uncollateralized. The uninsured amount includes \$69,983 invested in state pool.

The Town's investments of \$24,284,558 are exposed to custodial credit risk because the related securities are uninsured, unregistered and held by the Town's brokerage firm, which is also Counterparty to these securities. The risk is managed by securities being held in separately identifiable trust accounts.

#### **B. Credit Risk**

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

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year-end</u>			
			<u>Aaa</u>	<u>Aa-Aa3</u>	<u>A-A3</u>	<u>Baa-Baa3</u>
Corporate bonds	\$ 2,989,830	\$ -	\$ 687,661	\$ 837,152	\$ 1,166,033	\$ 298,984
Corporate equities	2,850,871	2,850,871	N/A	N/A	N/A	N/A
Certificates of deposit	12,840,098	12,840,098	N/A	N/A	N/A	N/A
U.S. Treasury notes	703,631	-	703,631	-	-	-
Federal agency securities	4,900,128	-	4,900,128	-	-	-
Total investments	<u>\$ 24,284,558</u>	<u>\$ 15,690,969</u>	<u>\$ 6,291,420</u>	<u>\$ 837,152</u>	<u>\$ 1,166,033</u>	<u>\$ 298,984</u>

### C. Concentration of Credit Risk

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

### D. Interest Rate Risk

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

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

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

Not more than 5% of the Town's investment portfolio, other than Trust fund investments, is to be invested in securities with maturities greater than one year.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>
Debt-related Securities:					
Corporate bonds	\$ 2,989,830	\$ -	\$ 1,644,407	\$ 1,195,932	\$ 149,491
U.S. Treasury notes	703,631	703,631	-	-	-
Federal agency securities	<u>4,900,128</u>	<u>2,113,901</u>	<u>2,562,952</u>	<u>198,467</u>	<u>24,808</u>
Total	<u>\$ 8,593,589</u>	<u>\$ 2,817,532</u>	<u>\$ 4,207,359</u>	<u>\$ 1,394,399</u>	<u>\$ 174,299</u>

#### **E. Foreign Currency Risk**

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

#### **4. Taxes Receivable**

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied. Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town, after annually reviewing delinquent accounts and making recommendations to the Town Council, records the asset at a value including all the delinquent accounts, recording costs and accrued interest. The accounts that are lienied 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, 2013 consist of the following (in thousands):

Real Estate 2013	\$ 6,304
Tax Liens, net of allowance	<u>2,121</u>
Total	<u>\$ 8,425</u>

#### **Taxes Collected for Others**

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

## 5. Allowance for Doubtful Accounts

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

	<u>Governmental</u>
Property taxes	\$ 400
Other accounts receivable	1,177
Business-type accounts receivable	6

## 6. Due From Other Governments

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in fiscal 2013.

## 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, 2013 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	\$ -	\$ 9,001,550
Nonmajor Funds:		
Special Revenue Funds:		
Derry Public Library	47,318	-
Taylor Public Library	126,756	-
Cable Television	470,912	-
Conservation Commission	523,506	-
Public Health	25,675	-
Public Safety Grants	32,602	-
Miscellaneous Grants	26,087	-
Emergency Management	-	118,515
Waste Tire Reclamation	6,073	-
Transportation Improvement	8,964	-

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<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
Capital Project Funds:		
Bridge Improvements	595,782	-
Route 28 TIF	58,174	-
Recreation Facility	7,198	-
Transfer Station Facility	2,933,107	-
Rockingham Rd Reconstruction	883,545	-
	<u>5,745,699</u>	<u>118,515</u>
Subtotal Nonmajor Funds		
	<u>5,745,699</u>	<u>118,515</u>
Total Governmental Funds	<u>\$ 5,745,699</u>	<u>\$ 9,120,065</u>
Business-Type Activities:		
Water Fund	\$ 2,516,912	\$ -
Sewer Fund	857,454	-
	<u>3,374,366</u>	<u>-</u>
Total Business-Type Activities	<u>\$ 3,374,366</u>	<u>\$ -</u>
Grand Total	<u>\$ 9,120,065</u>	<u>\$ 9,120,065</u>

The government reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers made in fiscal year 2013.

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 496,535	\$ 340,140
Nonmajor Funds:		
Special Revenue Funds:		
Derry Public Library	458	-
Taylor Public Library	1,907	-
Public Safety Grants	553	50,365
Miscellaneous Grants	11,000	-
Emergency Management	48,270	55,054
Waste Tire Reclamation	39,432	-
Transportation Improvement	466	-
Capital Project Funds:		
Crystal/Broadway Reconstruction	-	19,043

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<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
Permanent Funds:		
General Cemetery Care	-	61,875
Parks and Playgrounds	-	52,449
Libraries	-	2,365
Human Services	-	2,000
Subtotal Nonmajor Funds	<u>102,086</u>	<u>243,151</u>
Total Governmental Funds	<u>\$ 598,621</u>	<u>\$ 583,291</u>
Business-Type Activities:		
Water Fund	\$ -	\$ 7,662
Sewer Fund	-	7,668
Total Business-Type Activities	<u>\$ -</u>	<u>\$ 15,330</u>
Grand Total	<u>\$ 598,621</u>	<u>\$ 598,621</u>

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

## 8. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 6,864	\$ 807	\$ -	\$ 7,671
Infrastructure and other assets	77,601	899	(154)	78,346
Construction in progress	1,134	1,632	(2,327)	439
Intangibles	<u>2,607</u>	<u>-</u>	<u>-</u>	<u>2,607</u>
Total capital assets, not being depreciated	88,206	3,338	(2,481)	89,063
Other capital assets:				
Buildings and improvements	18,854	229	-	19,083
Equipment and vehicles	11,887	1,081	(315)	12,653
Infrastructure and other assets	11,030	317	(199)	11,148
Intangibles	<u>660</u>	<u>23</u>	<u>-</u>	<u>683</u>
Total other capital assets at historical cost	<u>42,431</u>	<u>1,650</u>	<u>(514)</u>	<u>43,567</u>

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	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Less accumulated depreciation for:				
Buildings and improvements	(5,704)	(515)	-	(6,219)
Equipment and vehicles	(8,103)	(940)	307	(8,736)
Infrastructure and other assets	(3,212)	(370)	73	(3,509)
Intangibles	<u>(588)</u>	<u>(29)</u>	<u>-</u>	<u>(617)</u>
Total accumulated depreciation	<u>(17,607)</u>	<u>(1,854)</u>	<u>380</u>	<u>(19,081)</u>
Total other capital assets, net	<u>24,824</u>	<u>(204)</u>	<u>(134)</u>	<u>24,486</u>
Total capital assets, net	<u>\$ 113,030</u>	<u>\$ 3,134</u>	<u>\$ (2,615)</u>	<u>\$ 113,549</u>

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 202	\$ -	\$ -	\$ 202
Construction in progress	153	484	(49)	588
Intangibles	<u>583</u>	<u>-</u>	<u>-</u>	<u>583</u>
Total capital assets, not being depreciated	938	484	(49)	1,373
Other capital assets:				
Buildings and improvements	149	11	-	160
Equipment and vehicles	807	256	(52)	1,011
Infrastructure	<u>41,834</u>	<u>17</u>	<u>-</u>	<u>41,851</u>
Total other capital assets at historical cost	<u>42,790</u>	<u>284</u>	<u>(52)</u>	<u>43,022</u>
Less accumulated depreciation for:				
Buildings and improvements	(33)	(4)	-	(37)
Equipment and vehicles	(532)	(123)	48	(607)
Infrastructure and other assets	<u>(13,652)</u>	<u>(641)</u>	<u>-</u>	<u>(14,293)</u>
Total accumulated depreciation	<u>(14,217)</u>	<u>(768)</u>	<u>48</u>	<u>(14,937)</u>
Total other capital assets, net	<u>28,573</u>	<u>(484)</u>	<u>(4)</u>	<u>28,085</u>
Total capital assets, net	<u>\$ 29,511</u>	<u>\$ -</u>	<u>\$ (53)</u>	<u>\$ 29,458</u>

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

Governmental Activities:	
General government	\$ 399
Public safety	750
Highway	314
Health and welfare	50
Sanitation	10
Culture and recreation	<u>331</u>
Total depreciation expense - governmental activities	\$ <u><u>1,854</u></u>
Business-Type Activities:	
Water	\$ 224
Sewer	<u>477</u>
Total depreciation expense - business-type activities	\$ <u><u>701</u></u>

**9. Accounts Payable and Accrued Expenditures/Expenses**

Accounts payable and accrued expenses represent 2013 expenditures paid after June 30, 2013.

**10. Capital Lease Obligations**

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

	<u>Governmental</u>
2014	\$ 236,477
2015	236,477
2016	146,505
2017	<u>118,982</u>
Total minimum lease payments	738,441
Less amounts representing interest	<u>(39,626)</u>
Present Value of Minimum Lease Payments	\$ <u><u>698,815</u></u>

The following is an analysis for the leased assets included in capital assets at June 30, 2013:



	Governmental <u>Activities</u>
Machinery, vehicles and equipment	\$ 1,236,788
Less: accumulated depreciation	<u>(287,457)</u>
Equipment under capital leases, net	<u>\$ 949,331</u>

## 11. 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:

	Serial Maturities	Interest Rate(s) %	Amount Issued	Amount Outstanding as of 6/30/13
<u>Governmental Activities:</u>	<u>Through</u>			
Court House	07/15/15	5.25 - 5.625%	\$ 1,839,710	\$ 270,000
Land Purchase	01/15/19	4.00 - 4.80%	1,735,000	150,000
Humphrey Field House	01/15/20	5.375 - 5.75%	1,890,000	655,000
Humphrey Road Complex	01/15/21	4.75 - 5.25%	489,605	190,000
Municipal Services Infrastructure	03/15/24	3.20 - 4.00%	1,500,000	825,000
Police Station Addition	06/15/26	4.10 - 5.00%	1,000,000	650,000
Transfer Station	05/01/33	2.00 - 2.80%	3,000,000	3,000,000
Rockingham Road	05/01/33	2.00 - 2.80%	1,000,000	1,000,000
Municipal Center - Refunding	02/01/21	1.00 - 1.30%	1,250,000	1,250,000
Total Governmental Activities, excluding TIF:				\$ 7,990,000

	Serial Maturities	Interest Rate(s) %	Amount Issued	Amount Outstanding as of 6/30/13
<u>Governmental Activities TIF:</u>	<u>Through</u>			
Ash Street Corporate Park	04/15/33	4.25 - 5.00%	\$ 2,000,000	\$ 1,600,000
Route 28 Corridor	11/15/31	2.00 - 3.50%	\$ 3,400,000	3,400,000
Total Governmental Activities TIF:				\$ 5,000,000

	Serial Maturities	Interest Rate(s) %	Amount Issued	Amount Outstanding as of 6/30/13
<u>Business-Type Activities:</u>	<u>Through</u>			
Water Fund:				
Water Main Upgrade	08/15/18	3.90 - 5.00%	\$ 1,000,000	\$ 300,000
13 Woodlands and Rt 28	05/01/33	2.00 - 2.80%	500,000	500,000
Sewer Fund:				
Upgrade Sewer Lagoons	08/15/13	5.30 - 5.875%	2,358,000	115,000
Wastewater Force Main	05/15/23	2.50 - 3.25%	3,700,000	1,850,000
Wastewater Effluent Upgrade	06/15/26	4.10 - 5.00%	1,000,000	650,000
Wastewater Extension Rt 28	05/01/33	2.00 - 2.80%	250,000	250,000
Total Business-Type Activities:				\$ 3,665,000

### C. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2013 are as follows:

<u>Governmental (non-TIF)</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 740,000	\$ 200,752	\$ 940,752
2015	730,000	202,746	932,746
2016	725,000	179,695	904,695
2017	630,000	159,095	789,095
2018	625,000	140,970	765,970
2019-2023	2,315,000	458,333	2,773,333
2024-2028	1,225,000	215,175	1,440,175
2029-2033	<u>1,000,000</u>	<u>81,600</u>	<u>1,081,600</u>
Total	\$ <u>7,990,000</u>	\$ <u>1,638,366</u>	\$ <u>9,628,366</u>

Debt service requirements to retire tax increment financing bonds for governmental activities at June 30, 2013 are as follows:

<u>Governmental TIF</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 80,000	\$ 170,238	\$ 250,238
2015	80,000	166,837	246,837
2016	80,000	163,438	243,438
2017	295,000	157,887	452,887
2018	295,000	149,988	444,988
2019-2023	1,475,000	625,800	2,100,800
2024-2028	1,455,000	385,294	1,840,294
2029-2033	<u>1,240,000</u>	<u>118,538</u>	<u>1,358,538</u>
Total	\$ <u>5,000,000</u>	\$ <u>1,938,020</u>	\$ <u>6,938,020</u>

Debt Service requirements to retire business-type activities bonds payable at June 30, 2013 are as follows:

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 430,000	\$ 129,364	\$ 559,364
2015	315,000	115,053	430,053
2016	315,000	103,840	418,840
2017	315,000	92,418	407,418
2018	315,000	80,717	395,717
2019-2023	1,395,000	240,637	1,635,637
2024-2028	350,000	58,213	408,213
2029-2033	<u>230,000</u>	<u>19,060</u>	<u>249,060</u>
Total	\$ <u>3,665,000</u>	\$ <u>839,302</u>	\$ <u>4,504,302</u>

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

During the year ended June 30, 2013, the following changes occurred in long-term liabilities (in thousands):

	Total Balance <u>7/1/12</u>	<u>Additions</u>	<u>Refunding</u>	<u>Reductions</u>	Total Balance <u>6/30/13</u>	Less Current Portion <u>6/30/13</u>	Equals Long-Term Portion <u>6/30/13</u>
<u>Governmental Activities</u>							
General obligation							
bonds payable	\$ 4,450	\$ 5,250	\$ (1,200)	\$ (510)	\$ 7,990	\$ (740)	\$ 7,250
Tax increment financing							
bonds payable	5,080	-	-	(80)	5,000	(80)	4,920
Capital leases payable	837	203	-	(342)	698	(219)	479
Compensated absences	3,812	2,162	-	(2,135)	3,839	(725)	3,114
Other post-employment							
benefits	3,651	1,206	-	(175)	4,682	-	4,682
Estimated liability for							
landfill postclosure							
care costs	62	-	-	(12)	50	(13)	37
Totals	<u>\$ 17,892</u>	<u>\$ 8,821</u>	<u>\$ (1,200)</u>	<u>\$ (3,254)</u>	<u>\$ 22,259</u>	<u>\$ (1,777)</u>	<u>\$ 20,482</u>

	Total Balance <u>7/1/12</u>	<u>Additions</u>	<u>Refunding</u>	<u>Reductions</u>	Total Balance <u>6/30/13</u>	Less Current Portion <u>6/30/13</u>	Equals Long-Term Portion <u>6/30/13</u>
<u>Business-Type Activities</u>							
General obligation							
bonds payable	\$ 3,485	\$ 750	\$ -	\$ (570)	\$ 3,665	\$ (430)	\$ 3,235
Compensated absences	150	136	-	(128)	158	(30)	128
Other post-employment							
benefits	330	102	-	(13)	419	-	419
Totals	<u>\$ 3,965</u>	<u>\$ 988</u>	<u>\$ -</u>	<u>\$ (711)</u>	<u>\$ 4,242</u>	<u>\$ (460)</u>	<u>\$ 3,782</u>

#### E. Authorized Unissued Debt

Long-term debt authorizations which have not been issued or rescinded as of June 30, 2013 are as follows:

General obligation bonds:

<u>Purpose</u>	<u>Amount</u>
Exit 4A	\$ 3,250,779
Municipal Water System Improvements	1,718,500
Municipal Wastewater System Improvements	<u>1,725,500</u>
Total	<u>\$ 6,694,779</u>

Tax increment financing bond:

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

**12. 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 \$50,471 reported as landfill postclosure care liability at June 30, 2013 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, 2013. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**13. Deferred Inflows of Resources**

The Town has implemented GASB 65, *Items Previously Reported as Assets and Liabilities*. Deferred inflows of resources are the acquisition of net position by the Town that is applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

The following is a summary of deferred inflow of resources balances as of June 30, 2013:

	Governmental <u>Activities</u>	Business-type <u>Activities</u>
<u>Entity-wide Basis:</u>		
Property taxes collected in advance	\$ 35,837,277	\$ -
Deferred gain on refunding	133,391	21,752
Total	<u>\$ 35,970,668</u>	<u>\$ 21,752</u>

	Governmental <u>Fund</u> General <u>Fund</u>	<u>Proprietary Funds</u> Water <u>Fund</u> Sewer <u>Fund</u>	
<u>Fund Basis:</u>	\$	\$	\$
Property taxes collected in advance	35,837,277	-	-
Unavailable revenues - property taxes	1,877,560	-	-
Deferred gain on refunding	-	17,098	4,654
Total	<u>\$ 37,714,837</u>	<u>\$ 17,098</u>	<u>\$ 4,654</u>

#### 14. **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.

#### 15. **Governmental Funds - Balances**

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

The following types of fund balances are reported at June 30, 2013:

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 amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at June 30, 2013:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Prepaid expenditures	\$ 56,696	\$ 668	\$ 57,364
Noncurrent receivable	-	180,154	180,154
Nonexpendable permanent funds	-	5,187,787	5,187,787
Total Nonexpendable	56,696	5,368,609	5,425,305
Restricted			
Fire district	216,186	-	216,186
Exit 4A	97,984	-	97,984
Bonded projects	119,464	3,815,936	3,935,400
Special revenue funds	-	793,354	793,354
Expendable permanent funds	-	1,045,086	1,045,086
Total Restricted	433,634	5,654,376	6,088,010

(continued)

(continued)

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Committed			
Ash Street TIF	263,193	-	263,193
Capital reserves	4,078,047	-	4,078,047
Economic development loan	153,081	-	153,081
Compensated absences	3,585,458	-	3,585,458
Cable television	-	550,287	550,287
Conservation commission	-	522,856	522,856
Other capital project funds	-	602,060	602,060
Total Committed	8,079,779	1,675,203	9,754,982
Assigned			
Encumbrances	291,797	-	291,797
Next year's expenditures	331,331	-	331,331
Ashleigh drive repairs	34,675	-	34,675
Forest management	40,585	-	40,585
Compensated absences	252,940	-	252,940
Total Assigned	951,328	-	951,328
Unassigned	11,332,187	(75,846)	11,256,341
Total Fund Balances	\$ 20,853,624	\$ 12,622,342	\$ 33,475,966

## 16. Subsequent Events

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

	<u>Amount</u>	Interest <u>Rate</u>	Issue <u>Date</u>	Maturity <u>Date</u>
Chevrolet Silverado Trucks and Plow	\$ 100,258	2.15%	09/27/13	09/27/17
Ford Police Vehicles	\$ 338,765	1.62%	12/13/13	12/18/15

## 17. Commitments and Contingencies

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

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the



grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

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

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

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net 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, 2012, the actuarial valuation date, approximately 141 retirees and 176 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

#### **B. Benefits Provided**

The Town 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 Medcomp III premium.

AFSCME-Staff Support - Employees hired after April 23, 2009 must work 20 years and be limited to the July 1, 2009 Medcomp 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 2013 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, 2013, 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)	\$ 1,278,932
Interest on net OPEB obligation	179,167
Adjustment to ARC	<u>(150,313)</u>
Annual OPEB cost	1,307,786
Contributions made	<u>(188,025)</u>
Increase in net OPEB obligation	1,119,761
Net OPEB obligation - beginning of year	<u>3,981,488</u>
Net OPEB obligation - end of year	<u><u>\$ 5,101,249</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>
2013	\$ 1,307,786	14.4%	\$ 5,101,249
2012	\$ 1,481,776	21.6%	\$ 3,981,488
2011	\$ 1,382,055	19.2%	\$ 2,820,105
2010	\$ 1,117,285	21.2%	\$ 1,704,070
2009	\$ 1,041,450	20.9%	\$ 823,605

**E. Funded Status and Funding Progress**

The funded status of the plan as of June 30, 2012, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 13,794,817
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 13,794,817</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.0%</u>
Covered payroll (active plan members)	<u>\$ 16,341,816</u>
UAAL as a percentage of covered payroll	<u>84.4%</u>

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

**F. Actuarial Methods and Assumptions**

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

In the June 30, 2012 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. 27, *Accounting for Pensions for State and Local Government Employees*, (as amended by GASB 50) with respect to the employees' retirement funds.

### **A. Plan Description**

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

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

### **B. Funding Policy**

Plan members are required to contribute a percentage of their gross earnings to the pension plan. Contribution rates are 7% for general employees, 11.55% for police, and 11.80% for fire department's employees. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and is 19.95% for police officers, 22.89% for fire employees, and 8.80% for all other covered employees. The Town's

contributions to the System for the years ended June 30, 2013, 2012, and 2011 were \$2,747,086, \$2,337,503, and \$2,169,946, respectively, which were equal to its annual required contributions for each of these years.

The payroll for employees covered by the System for the year ended June 30, 2013, was \$16,963,909. Contribution requirements for the year ended June 30, 2013, were as follows:

Town	\$ 2,747,086
Employees' contributions	<u>1,631,277</u>
Total	<u>\$ 4,378,363</u>

## **20. Risk Management**

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

## **21. Implementation of New GASB Standard**

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

## **22. Net Position Restatement**

The beginning (July 1, 2012) net position on the Town's Statement of Activities has been reduced by \$2,058,840 to reflect the removing of construction in progress for a state owned highway.

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

**June 30, 2013**  
**(Unaudited)**

**Other Post-Employment Benefits**

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
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**  
**Required Supplementary Information**  
**Modified Approach for Infrastructure**  
**Capital Assets**  
**For the Year Ended June 30, 2013**

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

**Comparison of Estimated to Actual Maintenance/Preservation**

<u>Year Ending June 30,</u>	<u>Estimated Costs</u>	<u>Actual Costs</u>
2013	\$ 1,407,266	\$ 1,315,482
2012	1,401,837	1,374,690
2011	1,177,443	1,078,191
2010	1,557,983	1,484,929
2009	1,396,210	1,101,728

See Independent Auditors' Report.

**TOWN OF DERRY, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2013**

**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 2012, 2009, and 2006 reflected a good PCI rating of 75, 78, and 77, respectively.

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

The current PCI of 75 is in line with the council’s goal of preserving the network in the range between 68 and 80. The currently defined system of roadway and sidewalk networks is not depreciated because the Town’s conditional assessment rating falls within its adopted range.

The Town has expended an average of \$1,273,465 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.



**New Sidewalk Snowblower at Work**

## **Combining Financial Statements**

## NON-MAJOR GOVERNMENTAL FUNDS

### SPECIAL REVENUE FUNDS

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

Special Revenue Funds are established for the following purposes:

- Derry Public Library Fund: This fund is used to account for library revenues and expenditures incurred in the operation of Derry's main library located at 64 East Broadway.
- Taylor Library Fund: This fund is used to account for library revenues and expenditures incurred in the operation of this public library located at 49 East Derry Road.
- Cable Television Fund: The cable television fund has been established to account for the revenues from the cable television franchise fees and other related miscellaneous income and the related expenses.
- Conservation Commission Fund: This fund is used to account for revenue and expenses associated with acquiring conservation land and forest management and includes 100% of Land Use Change Tax (current use) and NH Forest Management Grant revenues.
- Public Health Fund: This fund is to account for the planning, testing and implementation of regional Public Health plans related to emergency preparedness as well as providing support for local health officers and school nurses. This fund is supported by federal funds passed through the New Hampshire Department of Health and Human Services and the National Association of County and City Health Officials (NACCHO).
- Public Safety Grants Fund: This fund is used to account for grants and donations received and expenses for the purpose of public safety including for the enforcement of underage drinking laws, DWI saturation, seatbelt compliance, off-road vehicle patrols and funding for domestic preparedness planning, training and equipment using federal pass-through funds from Rockingham County for Justice Assistance and New Hampshire Department of Justice, New Hampshire Highway Safety and New Hampshire Fish and Game.
- Miscellaneous Grants Fund: This fund is used to account for various donations or grants received and their related expenditures.
- Emergency Management Fund: This fund is used to account for expenses associated with emergency protective measures for Hurricane Sandy and winter storm Nemo. Also, snow removal costs were included in the disaster recovery efforts for the February winter storm. FEMA reimbursed 75% of eligible costs associated with these two events.

- Waste Tire Reclamation Fund: The Waste Reclamation Trust was established pursuant to NH RSA 31:19A. The Trust was established to retain fees collected from motor vehicle registrations as authorized pursuant to NH RSA Chapter 263 (HB332). The purpose of the reserve is to fund the disposal of motor vehicle waste generated within the Town of Derry and to recycle and reclaim other types of solid waste.
- Transportation Improvement Fund: has been established to collect fees from motor vehicle registrations for the purpose of funding improvements to the Town's roadways.

## **CAPITAL PROJECT FUNDS**

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

The current funds were established for the following purposes:

- Crystal/Broadway Reconstruction Fund: This fund is used for the Town's share of the State of NH managed redesign of the Crystal Avenue and Broadway intersection.
- Bridge Improvements Fund: This fund is used to account for the construction of new bridges on South Avenue, North High Street, Tsienneto Road and Drew Road. The State of New Hampshire reimbursement to the Town is commonly 80% of eligible expenses.
- Route 28 TIF Fund: This fund is used to account for the engineering, construction and land acquisition costs associated with improving the Route 28 roadway within a TIF District formed in FY07. This project is funded by a combination of bond revenue, grant revenue from New Hampshire Department of Transportation, and contributions from the general fund and a commercial retailer.
- Recreation Facility Fund: This fund is used to account for capital improvements to the Veteran's Hall Recreational Facility.
- 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.



**Rock Crushing & Construction Debris Reclamation on  
New Transfer Station**

**TOWN OF DERRY, NEW HAMPSHIRE**

**Combining Balance Sheet**

**Nonmajor Governmental Funds**

**June 30, 2013**

	<u>Special Revenue Funds</u>			
	<u>Derry Public Library Fund</u>	<u>Taylor Library Fund</u>	<u>Cable Television Fund</u>	<u>Conservation Commission Fund</u>
<u>ASSETS</u>				
Cash and cash equivalents	\$ 496	\$ 351	\$ -	\$ -
Investments	-	-	-	-
Accounts receivable, net	50	-	82,510	-
Due from other governments	-	-	-	-
Due from other funds	47,318	126,756	470,912	523,506
Prepaid items	<u>668</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets	<u>\$ 48,532</u>	<u>\$ 127,107</u>	<u>\$ 553,422</u>	<u>\$ 523,506</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Accounts payable	\$ 241	\$ -	\$ 3,135	\$ 650
Deposits payable	-	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	241	-	3,135	650
Fund Balances:				
Nonspendable	668	-	-	-
Restricted	47,623	127,107	-	-
Committed	-	-	550,287	522,856
Unassigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>48,291</u>	<u>127,107</u>	<u>550,287</u>	<u>522,856</u>
Total Liabilities and Fund Balances	<u>\$ 48,532</u>	<u>\$ 127,107</u>	<u>\$ 553,422</u>	<u>\$ 523,506</u>



Special Revenue Funds		
Public Health Fund	Public Safety Grants Fund	Miscellaneous Grants Fund
\$ -	\$ -	\$ -
-	-	-
-	-	-
9,737	13,269	-
25,675	32,602	26,087
-	-	-
<u>\$ 35,412</u>	<u>\$ 45,871</u>	<u>\$ 26,087</u>
\$ 3,603	\$ 112	\$ 736
31,809	-	-
-	-	-
35,412	112	736
-	-	-
-	45,759	25,351
-	-	-
-	-	-
-	45,759	25,351
<u>\$ 35,412</u>	<u>\$ 45,871</u>	<u>\$ 26,087</u>

(continued)

(continued)

	Special Revenue Funds			
	Emergency Management Fund	Waste Tire Reclamation Fund	Transportation Improvement Fund	Total Nonmajor Special Revenue Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 847
Investments	-	526,112	6,365	532,477
Accounts receivable, net	-	-	-	82,560
Due from other governments	118,515	-	-	141,521
Due from other funds	-	6,073	8,964	1,267,893
Prepaid items	-	-	-	668
Total Assets	<u>\$ 118,515</u>	<u>\$ 532,185</u>	<u>\$ 15,329</u>	<u>\$ 2,025,966</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 8,477
Deposits payable	-	-	-	31,809
Due to other funds	118,515	-	-	118,515
Total Liabilities	118,515	-	-	158,801
Fund Balances:				
Nonspendable	-	-	-	668
Restricted	-	532,185	15,329	793,354
Committed	-	-	-	1,073,143
Unassigned	-	-	-	-
Total Fund Balances	<u>-</u>	<u>532,185</u>	<u>15,329</u>	<u>1,867,165</u>
Total Liabilities and Fund Balances	<u>\$ 118,515</u>	<u>\$ 532,185</u>	<u>\$ 15,329</u>	<u>\$ 2,025,966</u>

Capital Project Funds		
Crystal/ Broadway Reconstruction Fund	Bridge Improvements Fund	Route 28 TIF Fund
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	180,154	-
-	595,782	58,174
-	-	-
<u>\$ -</u>	<u>\$ 775,936</u>	<u>\$ 58,174</u>
\$ -	\$ -	\$ 134,020
-	-	-
-	-	-
-	-	-
-	180,154	-
-	-	-
-	595,782	-
-	-	(75,846)
-	775,936	(75,846)
<u>\$ -</u>	<u>\$ 775,936</u>	<u>\$ 58,174</u>

(continued)

(continued)

	Capital Project Funds			
	Recreation Facility Fund	Transfer Station Facility Fund	Rockingham Road Reconstruction Fund	Total Nonmajor Capital Projects Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	-
Accounts receivable, net	-	-	-	-
Due from other governments	-	-	-	180,154
Due from other funds	7,198	2,933,107	883,545	4,477,806
Prepaid items	-	-	-	-
Total Assets	<u>\$ 7,198</u>	<u>\$ 2,933,107</u>	<u>\$ 883,545</u>	<u>\$ 4,657,960</u>
<u>LIABILITIES AND FUND EQUITY</u>				
Liabilities:				
Accounts payable	\$ 920	\$ 537	\$ 179	\$ 135,656
Deposits payable	-	-	-	-
Due to other funds	-	-	-	-
Total Liabilities	920	537	179	135,656
Fund Balances:				
Nonspendable	-	-	-	180,154
Restricted	-	2,932,570	883,366	3,815,936
Committed	6,278	-	-	602,060
Unassigned	-	-	-	(75,846)
Total Fund Balances	<u>6,278</u>	<u>2,932,570</u>	<u>883,366</u>	<u>4,522,304</u>
Total Liabilities and Fund Balances	<u>\$ 7,198</u>	<u>\$ 2,933,107</u>	<u>\$ 883,545</u>	<u>\$ 4,657,960</u>

Permanent Funds						
<u>General Cemetery Care</u>	<u>Parks and Playgrounds</u>	<u>Libraries</u>	<u>Highways and Streets</u>	<u>Human Services</u>	<u>Total Nonmajor Permanent Funds</u>	<u>Grand Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 847
2,490,544	3,547,648	91,032	45,959	57,690	6,232,873	6,765,350
-	-	-	-	-	-	82,560
-	-	-	-	-	-	321,675
-	-	-	-	-	-	5,745,699
-	-	-	-	-	-	668
<u>\$ 2,490,544</u>	<u>\$ 3,547,648</u>	<u>\$ 91,032</u>	<u>\$ 45,959</u>	<u>\$ 57,690</u>	<u>\$ 6,232,873</u>	<u>\$ 12,916,799</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 144,133
-	-	-	-	-	-	31,809
-	-	-	-	-	-	118,515
-	-	-	-	-	-	294,457
2,115,214	2,924,900	80,266	26,546	40,861	5,187,787	5,368,609
375,330	622,748	10,766	19,413	16,829	1,045,086	5,654,376
-	-	-	-	-	-	1,675,203
-	-	-	-	-	-	(75,846)
<u>2,490,544</u>	<u>3,547,648</u>	<u>91,032</u>	<u>45,959</u>	<u>57,690</u>	<u>6,232,873</u>	<u>12,622,342</u>
<u>\$ 2,490,544</u>	<u>\$ 3,547,648</u>	<u>\$ 91,032</u>	<u>\$ 45,959</u>	<u>\$ 57,690</u>	<u>\$ 6,232,873</u>	<u>\$ 12,916,799</u>

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**One of Three 5-Ton Winter Storm Maintenance Trucks. 80% Grant Funded**

**TOWN OF DERRY, NEW HAMPSHIRE**

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

**Nonmajor Governmental Funds**

**For the Year Ended June 30, 2013**

	<u>Special Revenue Funds</u>			
	<u>Derry Public Library Fund</u>	<u>Taylor Library Fund</u>	<u>Cable Television Fund</u>	<u>Conservation Commission Fund</u>
Revenues:				
Taxes	\$ -	\$ -	\$ -	\$ 82,850
Licenses and permits	2,100	40	325,584	-
Intergovernmental	-	275	-	-
Charges for services	1,312	84	80	-
Interest and investment income	179	565	-	2,213
Miscellaneous	<u>26,055</u>	<u>981</u>	<u>388</u>	<u>1,250</u>
Total Revenues	29,646	1,945	326,052	86,313
Expenditures:				
Current:				
General government	-	-	204,099	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Sanitation	-	-	-	-
Culture and recreation	10,918	275	-	-
Conservation	-	-	-	6,676
Capital outlay	-	-	18,837	-
Intergovernmental	<u>-</u>	<u>-</u>	<u>10,074</u>	<u>-</u>
Total Expenditures	<u>10,918</u>	<u>275</u>	<u>233,010</u>	<u>6,676</u>
Excess (deficiency) of revenues over expenditures	18,728	1,670	93,042	79,637
Other Financing Sources (Uses):				
Issuance of notes	-	-	-	-
Transfers in	458	1,907	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>458</u>	<u>1,907</u>	<u>-</u>	<u>-</u>
Net change in fund balance	19,186	3,577	93,042	79,637
Fund balances at beginning of year	<u>29,105</u>	<u>123,530</u>	<u>457,245</u>	<u>443,219</u>
Fund Balances at end of year	\$ <u><u>48,291</u></u>	\$ <u><u>127,107</u></u>	\$ <u><u>550,287</u></u>	\$ <u><u>522,856</u></u>



Special Revenue Funds		
Public Health Fund	Public Safety Grants Fund	Miscellaneous Grants Fund
\$ -	\$ -	\$ -
-	-	-
87,240	52,116	-
-	-	-
-	131	89
-	1,175	3,864
87,240	53,422	3,953
-	-	794
-	54,515	-
-	-	-
87,240	-	2,063
-	-	-
-	-	3,321
-	-	-
-	-	8,000
-	-	-
87,240	54,515	14,178
-	(1,093)	(10,225)
-	-	-
-	553	11,000
-	(50,365)	-
-	(49,812)	11,000
-	(50,905)	775
-	96,664	24,576
\$ -	\$ 45,759	\$ 25,351

(continued)

(continued)

	Special Revenue Funds			
	Emergency Management Fund	Waste Tire Reclamation Fund	Transportation Improvement Fund	Total Nonmajor Special Revenue Funds
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ 82,850
Licenses and permits	-	-	-	327,724
Intergovernmental	142,517	-	-	282,148
Charges for services	-	-	-	1,476
Investment income	-	1,413	120	4,710
Miscellaneous	-	-	-	33,713
Total Revenues	142,517	1,413	120	732,621
Expenditures:				
Current:				
General government	-	-	-	204,893
Public safety	135,733	-	-	190,248
Highways and streets	-	-	21	21
Health and welfare	-	-	-	89,303
Sanitation	-	253	-	253
Culture and recreation	-	-	-	14,514
Conservation	-	-	-	6,676
Capital outlay	-	-	-	26,837
Intergovernmental	-	-	-	10,074
Total Expenditures	135,733	253	21	542,819
Excess (deficiency) of revenues over expenditures	6,784	1,160	99	189,802
Other Financing Sources (Uses):				
Issuance of notes	-	-	-	-
Transfers in	48,270	39,432	466	102,086
Transfers out	(55,054)	-	-	(105,419)
Total Other Financing Sources (Uses)	(6,784)	39,432	466	(3,333)
Net change in fund balance	-	40,592	565	186,469
Fund Equity, beginning	-	491,593	14,764	1,680,696
Fund Equity, ending	\$ -	\$ 532,185	\$ 15,329	\$ 1,867,165

Capital Project Funds		
Crystal/ Broadway Reconstruction Fund	Bridge Improvements Fund	Route 28 TIF Fund
\$ -	\$ -	\$ -
-	-	-
-	-	-
-	-	3,271
-	-	-
-	-	3,271
-	-	-
-	-	-
-	-	-
-	-	-
-	-	-
-	-	1,756,101
-	-	-
-	-	1,756,101
-	-	(1,752,830)
-	-	-
-	-	-
(19,043)	-	-
(19,043)	-	-
(19,043)	-	(1,752,830)
19,043	775,936	1,676,984
\$ -	\$ 775,936	\$ (75,846)
(continued)		

(continued)

	Capital Project Funds			
	Recreation Facility Fund	Transfer Station Facility Fund	Rockingham Road Reconstruction Fund	Total Nonmajor Capital Projects Funds
Revenues:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	2,327	716	6,314
Miscellaneous	-	-	-	-
Total Revenues	-	2,327	716	6,314
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Health and welfare	-	-	-	-
Sanitation	-	-	-	-
Culture and recreation	-	-	-	-
Conservation	-	-	-	-
Capital outlay	53,722	69,757	117,350	1,996,930
Intergovernmental	-	-	-	-
Total Expenditures	53,722	69,757	117,350	1,996,930
Excess (deficiency) of revenues over expenditures	(53,722)	(67,430)	(116,634)	(1,990,616)
Other Financing Sources (Uses):				
Issuance of notes	-	3,000,000	1,000,000	4,000,000
Transfers in	-	-	-	-
Transfers out	-	-	-	(19,043)
Total Other Financing Sources (Uses)	-	3,000,000	1,000,000	3,980,957
Net change in fund balance	(53,722)	2,932,570	883,366	1,990,341
Fund Equity, beginning	60,000	-	-	2,531,963
Fund Equity, ending	\$ 6,278	\$ 2,932,570	\$ 883,366	\$ 4,522,304

Permanent Funds						Grand Total Nonmajor Governmental Funds
<u>General Cemetery Care</u>	<u>Parks and Playgrounds</u>	<u>Libraries</u>	<u>Highways and Streets</u>	<u>Human Services</u>	<u>Total Nonmajor Permanent Funds</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 82,850
-	-	-	-	-	-	327,724
-	-	-	-	-	-	282,148
-	-	-	-	-	-	1,476
167,391	239,813	6,147	3,029	3,761	420,141	431,165
-	-	-	-	-	-	33,713
167,391	239,813	6,147	3,029	3,761	420,141	1,159,076
9,466	-	-	-	-	9,466	214,359
-	-	-	-	-	-	190,248
-	-	-	170	-	170	191
-	-	-	-	222	222	89,525
-	-	-	-	-	-	253
-	13,338	347	-	-	13,685	28,199
-	-	-	-	-	-	6,676
-	-	-	-	-	-	2,023,767
-	-	-	-	-	-	10,074
9,466	13,338	347	170	222	23,543	2,563,292
157,925	226,475	5,800	2,859	3,539	396,598	(1,404,216)
-	-	-	-	-	-	4,000,000
-	-	-	-	-	-	102,086
(61,875)	(52,449)	(2,365)	-	(2,000)	(118,689)	(243,151)
(61,875)	(52,449)	(2,365)	-	(2,000)	(118,689)	3,858,935
96,050	174,026	3,435	2,859	1,539	277,909	2,454,719
2,394,494	3,373,622	87,597	43,100	56,151	5,954,964	10,167,623
\$ 2,490,544	\$ 3,547,648	\$ 91,032	\$ 45,959	\$ 57,690	\$ 6,232,873	\$ 12,622,342

TOWN OF DERRY, NEW HAMPSHIRE

CABLE TELEVISION FUND

STATEMENT OF REVENUES AND EXPENDITURES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2013

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
<b>Revenues and Other Sources:</b>				
Licenses and permits	\$ 249,842	\$ 249,842	\$ 325,584	\$ 75,742
Charges for services	500	500	80	(420)
Miscellaneous	<u>-</u>	<u>-</u>	<u>388</u>	<u>388</u>
Total Revenues	250,342	250,342	326,052	75,710
<b>Expenditures and Other Uses:</b>				
Current operations:				
General government	216,757	216,757	204,099	12,658
Capital outlay	23,500	23,500	18,837	4,663
Intergovernmental	<u>10,085</u>	<u>10,085</u>	<u>10,074</u>	<u>11</u>
Total Expenditures	<u>250,342</u>	<u>250,342</u>	<u>233,010</u>	<u>17,332</u>
Excess of revenues over expenditures	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>93,042</u></u>	\$ <u><u>93,042</u></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.

<b><u>Trust Name</u></b>	<b><u>Trust Purpose</u></b>
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, 2013

	<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>
<b><u>ASSETS</u></b>					
Investments	\$ <u>34,240</u>	\$ <u>334,271</u>	\$ <u>13,741</u>	\$ <u>2,134</u>	\$ <u>384,386</u>
Total Assets	\$ <u><u>34,240</u></u>	\$ <u><u>334,271</u></u>	\$ <u><u>13,741</u></u>	\$ <u><u>2,134</u></u>	\$ <u><u>384,386</u></u>
<b><u>LIABILITIES</u></b>					
Due to other funds	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b><u>NET POSITION</u></b>					
Held in trust	<u>34,240</u>	<u>334,271</u>	<u>13,741</u>	<u>2,134</u>	<u>384,386</u>
Total Liabilities and Net Position	\$ <u><u>34,240</u></u>	\$ <u><u>334,271</u></u>	\$ <u><u>13,741</u></u>	\$ <u><u>2,134</u></u>	\$ <u><u>384,386</u></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, 2013

	<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>
<b>Additions:</b>					
Investment earnings:					
Investment income	\$ 1,192	\$ 12,541	\$ 493	\$ 73	\$ 14,299
Net decrease in the fair value of investments	<u>1,084</u>	<u>10,030</u>	<u>444</u>	<u>67</u>	<u>11,625</u>
Total investment earnings	2,276	22,571	937	140	25,924
Less investment expense	<u>(127)</u>	<u>(1,272)</u>	<u>(51)</u>	<u>(8)</u>	<u>(1,458)</u>
Net investment earnings	2,149	21,299	886	132	24,466
<b>Deductions:</b>					
Benefits	<u>200</u>	<u>8,685</u>	<u>-</u>	<u>16</u>	<u>8,901</u>
Total deductions	<u>200</u>	<u>8,685</u>	<u>-</u>	<u>16</u>	<u>8,901</u>
Change in net position	1,949	12,614	886	116	15,565
<b>Net position held in trust:</b>					
Beginning of year	<u>32,291</u>	<u>321,657</u>	<u>12,855</u>	<u>2,018</u>	<u>368,821</u>
End of year	<u>\$ 34,240</u>	<u>\$ 334,271</u>	<u>\$ 13,741</u>	<u>\$ 2,134</u>	<u>\$ 384,386</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, 2013

	Balance July 1, <u>2012</u>	<u>Additions</u>	<u>Deductions</u>	Balance June 30, <u>2013</u>
<u>Derry Cooperative School Agency Fund:</u>				
Assets - investments	\$ <u>362,179</u>	\$ <u>546,237</u>	\$ <u>(726,215)</u>	\$ <u>182,201</u>
Liabilities - due to other governments	\$ <u>362,179</u>	\$ <u>546,237</u>	\$ <u>(726,215)</u>	\$ <u>182,201</u>
<u>Performance Bond Agency Fund:</u>				
Assets - cash and cash equivalents	\$ <u>355,949</u>	\$ <u>720,275</u>	\$ <u>(317,127)</u>	\$ <u>759,097</u>
Liabilities - deposits held for others	\$ <u>355,949</u>	\$ <u>720,275</u>	\$ <u>(317,127)</u>	\$ <u>759,097</u>
<u>Totals:</u>				
Cash and cash equivalents	\$ 355,949	\$ 720,275	\$ (317,127)	\$ 759,097
Investments	<u>362,179</u>	<u>546,237</u>	<u>(726,215)</u>	<u>182,201</u>
Total Assets	\$ <u>718,128</u>	\$ <u>1,266,512</u>	\$ <u>(1,043,342)</u>	\$ <u>941,298</u>
Liabilities - due to other governments	\$ 362,179	\$ 546,237	\$ (726,215)	\$ 182,201
Liabilities - deposits held for others	<u>355,949</u>	<u>720,275</u>	<u>(317,127)</u>	<u>759,097</u>
Total Liabilities	\$ <u>718,128</u>	\$ <u>1,266,512</u>	\$ <u>(1,043,342)</u>	\$ <u>941,298</u>

## Statistical Section



**New Wood Chipper being readied for Action**

# TOWN OF DERRY, NEW HAMPSHIRE

## STATISTICAL SECTION

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

	<b><u>Page</u></b>
<i>Financial Trends</i> These schedules contain trend information to help the reader understand how the government's financial performance and well-being have changed over time.	114
<i>Revenue Capacity</i> These schedules contain information to help the reader assess the government's most significant local revenue source, the property tax.	120
<i>Debt Capacity</i> These schedules present information to help the reader assess the affordability of the government's current levels of outstanding debt and the government's ability to issue additional debt in the future.	124
<i>Demographic and Economic Information</i> These schedules offer demographic and economic indicators to help the reader understand the environment within which the government's financial activities take place.	128
<i>Operating Information</i> These schedules contain service and infrastructure data to help the reader understand how the information in the government's financial report relates to the service the government provides and the activities it performs.	131

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

**SCHEDULE 1**

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

	Fiscal Year Ended June 30									
	2004	2005	2006 (1)	2007 (3)	2008 (3)	2009 (3)	2010 (2) (3)	2011 (3)	2012 (3)	2013
Government Activities										
Net investment in capital assets	\$91,175,678	\$96,093,430	\$95,250,347	\$94,729,202	\$96,865,055	\$98,687,664	\$101,530,681	\$104,936,447	\$104,697,003	\$105,780,715
Restricted	45,701,286	9,549,212	9,574,653	10,793,656	11,778,966	10,977,181	6,301,664	6,559,454	7,003,800	7,124,996
Unrestricted	6,435,210	11,404,663	10,974,175	11,842,047	11,990,757	12,034,740	16,440,924	14,771,367	15,095,817	13,515,612
Total Governmental Activities Net Position	<u>\$143,312,174</u>	<u>\$117,047,305</u>	<u>\$115,799,175</u>	<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>
Business-type Activities										
Net investment in capital assets	\$13,098,363	\$15,150,037	\$17,763,369	\$21,835,614	\$22,742,827	\$23,516,728	\$24,472,039	\$25,544,919	\$26,024,107	\$26,070,283
Restricted	5,837,523	0	0	0	0	0	0	0	0	0
Unrestricted	3,242,537	8,489,164	7,035,465	3,786,915	3,533,156	3,210,828	3,842,923	3,964,008	4,257,248	4,742,682
Total Business-type Activities Net Position	<u>\$22,178,423</u>	<u>\$23,639,201</u>	<u>\$24,798,834</u>	<u>\$25,622,529</u>	<u>\$26,275,983</u>	<u>\$26,727,556</u>	<u>\$28,314,962</u>	<u>\$29,508,927</u>	<u>\$30,281,355</u>	<u>\$30,812,965</u>
Primary Government										
Net investment in capital assets	\$104,274,041	\$111,243,467	\$113,013,716	\$116,564,816	\$119,607,882	\$122,204,392	\$126,002,720	\$130,481,366	\$130,721,110	\$131,850,998
Restricted	51,538,809	9,549,212	9,574,653	10,793,656	11,778,966	10,977,181	6,301,664	6,559,454	7,003,800	7,124,996
Unrestricted	9,677,747	19,893,827	18,009,640	15,628,962	15,523,913	15,245,568	20,283,847	18,735,375	19,353,065	18,258,294
Total Primary Government Net Position	<u>\$165,490,597</u>	<u>\$140,686,506</u>	<u>\$140,598,009</u>	<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>

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

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

(3) As restated



**SCHEDULE 2**

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

	Fiscal Year Ended June 30									
	2004	2005	2006	2007 *	2008 *	2009 *	2010 *	2011 *	2012 *	2013
<b>Expenses</b>										
<u>Governmental Activities</u>										
General government	\$6,351,809	\$4,675,203	\$4,698,161	\$4,864,395	\$4,922,872	\$5,856,375	\$5,415,866	\$5,772,403	\$5,241,472	\$5,770,858
Public Safety	12,523,032	13,300,358	18,307,118	18,688,924	18,790,889	18,927,195	19,220,474	19,716,889	20,088,167	19,705,078
Highway & streets	3,933,288	3,105,552	4,184,803	3,985,181	4,181,494	4,059,063	4,291,377	4,368,205	4,039,962	4,550,329
Health & welfare	839,564	784,435	1,000,856	778,619	795,072	775,357	813,431	735,916	643,871	712,326
Sanitation	1,486,947	1,567,928	1,685,965	1,430,509	1,562,223	1,621,743	1,591,142	1,579,299	1,634,394	1,632,599
Culture & recreation	2,488,465	2,701,585	2,827,877	2,897,392	2,965,628	2,857,095	2,908,787	2,940,331	3,351,764	3,062,131
Conservation	1,350	20,259	20,727	17,264	29,113	13,089	12,252	16,577	9,120	24,136
Redevelopment & housing	65,000	65,000	65,000	65,000	55,016	57,093	177,750	0	0	0
Economic development	71,300	66,430	311,494	638,497	729,122	329,462	405,316	1,437,987	702,479	1,440,817
Capital outlay	0	0	0	0	0	0	0	0	0	0
Depreciation	0	0	0	0	0	0	0	0	0	0
Debt service	476,890	545,972	498,637	504,695	480,718	443,518	389,331	365,191	386,000	375,763
Intergovernmental	0	40,246	0	0	0	0	0	0	0	0
Total Governmental Activities Expenses	\$28,237,645	\$26,872,968	\$33,600,638	\$33,870,476	\$34,512,147	\$34,939,990	\$35,225,726	\$36,932,798	\$36,097,229	\$37,274,037
<u>Business-type Activities</u>										
Water	\$1,758,219	\$1,839,085	\$2,009,790	\$2,097,520	\$2,088,784	\$2,032,481	\$2,089,938	\$2,337,353	\$2,313,232	\$2,345,410
Sewer	1,687,975	1,799,338	1,876,727	1,837,379	1,927,217	1,935,968	1,948,520	1,944,450	1,937,795	1,978,125
Total Business-type Activities Expenses	\$3,446,194	\$3,638,423	\$3,886,517	\$3,934,899	\$4,016,001	\$3,968,449	\$4,038,458	\$4,281,803	\$4,251,027	\$4,323,535
Total Primary Government Expenses	\$31,683,839	\$30,511,391	\$37,487,155	\$37,805,375	\$38,528,148	\$38,908,439	\$39,264,184	\$41,214,601	\$40,348,256	\$41,597,572
<b>Program Revenues</b>										
<u>Governmental Activities</u>										
Charges for services:										
General government	\$5,428,129	\$52,696	\$67,217	\$85,991	\$100,553	\$46,770	\$93,207	\$129,549	\$125,387	\$128,466
Public safety	844,669	909,456	1,231,802	1,057,789	1,164,763	1,075,782	1,611,004	1,690,832	1,410,038	1,307,973
Highway & streets	26,577	16,834	76,647	48,404	62,045	29,679	21,772	40,214	92,982	41,149
Health & welfare	7,997	1,831	21,533	17,604	1,108	2,455	22,932	26,959	27,927	30,275
Sanitation	344,204	472,859	455,484	363,737	449,513	373,011	397,267	450,465	508,259	382,358
Culture & recreation	161,776	126,747	103,283	161,648	163,453	164,581	170,374	194,859	199,406	159,898
Conservation commission	140,300	0	0	0	0	0	0	0	0	0
Operating grants & contributions	971,153	1,799,080	2,111,103	2,065,068	2,072,594	2,523,130	2,210,538	1,819,782	1,447,375	1,297,582
Capital grants & contributions	0	1,631,388	734,573	516,750	1,069,575	926,437	1,200,803	2,695,727	1,330,203	402,110
Total Governmental Activities Program Revenues	\$7,924,805	\$5,010,891	\$4,801,642	\$4,316,991	\$5,083,604	\$5,141,845	\$5,727,897	\$7,048,387	\$5,141,577	\$3,749,811

**SCHEDULE 2 (continued)**

**CHANGE IN NET POSITION, LAST TEN FISCAL YEARS (Continued)**

	Fiscal Year Ended June 30									
	2004	2005	2006	2007 *	2008 *	2009 *	2010 *	2011 *	2012 *	2013
<b>Business-type Activities</b>										
Charges for services										
Water	\$1,670,955	\$1,674,138	\$2,409,189	\$2,211,514	\$2,362,870	\$2,286,130	\$2,270,130	\$2,458,522	\$2,533,351	\$2,546,316
Sewer	1,691,184	1,626,060	2,050,767	1,823,410	1,835,606	1,866,285	2,012,193	2,071,878	2,071,417	2,093,096
Operating grants & contributions	430,916	0	0	0	0	0	643,106	205,444	88,403	91,288
Capital grants & contributions	0	257,513	175,930	404,617	104,105	93,155	97,496	661,175	164,409	65,771
Total Business-type Activities Program Revenues	\$3,793,055	\$3,557,711	\$4,635,886	\$4,439,541	\$4,302,581	\$4,245,570	\$5,022,925	\$5,397,019	\$4,857,580	\$4,796,471
Total Primary Government Revenues	\$11,717,860	\$8,568,602	\$9,437,528	\$8,756,532	\$9,386,185	\$9,387,415	\$10,750,822	\$12,445,406	\$9,999,157	\$8,546,282
<b>Net (Expense) Revenue</b>										
Governmental activities	(\$20,312,840)	(\$21,862,077)	(\$28,798,996)	(\$29,553,485)	(\$29,428,543)	(\$29,798,145)	(\$29,497,829)	(\$29,884,411)	(\$30,955,652)	(\$33,524,226)
Business-type activities	346,861	(80,712)	749,369	504,642	286,580	277,121	984,467	1,115,216	606,553	472,936
Total Primary Government Net Expense	(\$19,965,979)	(\$21,942,789)	(\$28,049,627)	(\$29,048,843)	(\$29,141,963)	(\$29,521,024)	(\$28,513,362)	(\$28,769,195)	(\$30,349,099)	(\$33,051,290)
<b>General Revenues &amp; Other Changes in Net Position</b>										
<b>Governmental Activities</b>										
Property & other taxes	\$22,696,627	\$18,396,205	\$20,982,682	\$21,794,063	\$22,828,221	\$23,179,184	\$23,360,148	\$23,962,310	\$23,668,700	\$24,818,369
Licenses & permits		5,271,171	5,456,525	5,430,606	5,584,941	5,132,828	4,669,813	4,717,598	4,899,562	5,072,002
Grants & contributions not restricted to specific programs	1,977,812	1,580,389	1,686,188	1,800,063	1,910,166	1,992,361	1,694,458	1,780,356	1,542,507	1,594,268
Interest & investment earnings		1,051,406	1,747,030	2,559,466	1,468,474	150,975	523,509	784,714	471,109	615,937
Miscellaneous	1,776,278	1,175,759	652,178	752,406	382,952	399,645	687,969	633,431	917,755	1,033,023
Contributions to permanent fund principal	0	21,700	19,800	19,500	13,500	13,350	0	0	0	0
Special items-gain on sale of capital assets	0	0	373,577	0	534,655	0	0	0	0	0
Transfers	(6,109,558)	(1,303,751)	(24,148)	(24,810)	(24,493)	(5,391)	(31,272)	0	(14,629)	15,330
Total Governmental Activities	\$20,341,159	\$26,192,879	\$30,893,832	\$32,331,294	\$32,698,416	\$30,862,952	\$30,904,625	\$31,878,409	\$31,485,004	\$33,148,929
<b>Business-type Activities</b>										
Income & investment earnings	\$0	\$187,058	\$307,192	\$239,399	\$126,801	\$40,308	\$11,012	\$9,166	\$17,884	\$18,886
Miscellaneous	120,621	50,681	77,424	54,844	215,580	128,753	52,071	69,583	133,363	55,118
Special items-gain on sale of capital assets	0	0	1,500	0	0	0	0	0	0	0
Transfers	6,109,558	1,303,751	24,148	24,810	24,493	5,391	31,272	0	14,629	(15,330)
Total Business-type Activities	\$6,230,179	\$1,541,490	\$410,264	\$319,053	\$366,874	\$174,452	\$94,355	\$78,749	\$165,876	\$58,674
Total Primary Government	\$26,571,338	\$27,734,369	\$31,304,096	\$32,650,347	\$33,065,290	\$31,037,404	\$30,998,980	\$31,957,158	\$31,650,880	\$33,207,603
<b>Change in Net Position</b>										
Governmental Activities	\$28,319	\$4,330,802	\$2,094,836	\$2,777,809	\$3,269,873	\$1,064,807	\$1,406,796	\$1,993,998	\$529,352	(\$375,297)
Business-type Activities	\$6,577,040	\$1,460,778	\$1,159,633	\$823,695	\$653,454	\$451,573	\$1,078,822	\$1,193,965	\$772,429	\$531,610
Total Primary Government	\$6,605,359	\$5,791,580	\$3,254,469	\$3,601,504	\$3,923,327	\$1,516,380	\$2,485,618	\$3,187,963	\$1,301,781	\$156,313

\* As restated

**SCHEDULE 3**

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

	Fiscal Year									
	2004	2005	2006 *	2007	2008	2009	2010	2011 **	2012	2013
<u>General Fund:</u>										
Reserved	\$1,124,603	\$2,216,019	\$673,990	\$338,614	\$322,826	\$346,810	\$566,455	-	-	-
Unreserved	9,771,634	10,642,509	10,369,762	10,551,610	11,846,663	12,490,200	10,330,675	-	-	-
Nonspendable	-	-	-	-	-	-	-	47,666	74,168	56,696
Restricted	-	-	-	-	-	-	-	620,550	571,271	433,634
Committed ***	-	-	-	-	-	-	-	5,530,589	5,203,971	8,079,779
Assigned	-	-	-	-	-	-	-	349,130	1,092,965	951,328
Unassigned ***	-	-	-	-	-	-	-	10,244,689	12,806,496	11,332,187
Total General Fund	\$10,896,237	\$12,858,528	\$11,043,752	\$10,890,224	\$12,169,489	\$12,837,010	\$10,897,130	\$16,792,624	\$19,748,871	\$20,853,624
<u>All Other Governmental Funds:</u>										
Reserved	\$6,318,890	\$5,240,551	\$4,643,325	5,101,862	\$5,973,394	\$5,322,806	\$6,785,990	-	-	-
Unreserved, reported in:										
Special revenue funds	3,298,613	3,653,906	5,032,432	6,267,446	6,532,750	6,498,122	6,419,871	-	-	-
Capital project funds	3,779,049	1,519,159	1,726,865	1,514,997	1,213,880	1,378,833	2,018,817	-	-	-
Permanent funds	0	430,416	911,679	1,154,918	289,267	298,844	419,344	-	-	-
Nonspendable	-	-	-	-	-	-	-	5,038,112	5,304,598	5,368,609
Restricted	-	-	-	-	-	-	-	2,171,234	3,287,736	5,654,376
Committed	-	-	-	-	-	-	-	2,117,395	1,575,289	1,675,203
Unassigned	-	-	-	-	-	-	-	-	-	(75,846)
Total All Other Governmental Funds	\$13,396,552	\$10,844,032	\$12,314,301	\$14,039,223	\$14,009,291	\$13,498,605	\$15,644,022	\$9,326,741	\$10,167,623	\$12,622,342

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

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

\*\*\* 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.

**SCHEDULE 4**

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>Revenues:</b>										
Taxes	\$19,504,155	\$18,556,414	\$20,932,527	\$21,498,501	\$22,637,596	\$23,208,798	\$23,452,828	\$23,451,834	\$23,610,788	\$24,848,384
Licenses & permits	5,109,114	5,271,171	5,456,525	5,430,606	5,584,941	5,132,828	5,065,518	5,107,026	5,190,764	5,392,415
Intergovernmental	2,929,885	3,525,787	4,418,285	3,876,582	4,352,278	4,523,157	4,507,678	5,326,913	3,677,367	3,297,746
Charges for services	1,524,180	1,603,736	1,893,122	1,659,790	1,830,467	1,632,130	1,920,850	2,143,450	2,072,796	1,729,707
Interest & investment income	0	1,051,406	1,747,030	2,559,466	1,468,474	150,975	523,510	784,712	471,108	615,937
Contributions	0	0	0	0	0	0	0	0	424,077	0
Miscellaneous	1,975,416	1,508,103	1,861,531	1,326,191	593,386	500,239	563,107	504,729	590,296	975,022
<b>Total Revenues</b>	<b>\$31,042,750</b>	<b>\$31,516,617</b>	<b>\$36,309,020</b>	<b>\$36,351,136</b>	<b>\$36,467,142</b>	<b>\$35,148,127</b>	<b>\$36,033,491</b>	<b>\$37,318,664</b>	<b>\$36,037,196</b>	<b>\$36,859,211</b>
<b>Expenditures:</b>										
<b>Current operations-</b>										
General government	\$5,790,360	\$3,880,750	\$4,237,011	\$4,518,629	\$4,480,579	\$4,644,991	\$4,662,711	\$5,051,656	\$4,919,263	\$4,993,375
Public safety	12,245,280	13,915,103	17,363,724	17,969,416	17,810,998	18,142,797	17,872,831	18,334,892	18,592,809	18,491,033
Highways & streets	3,178,763	3,010,545	3,957,932	3,849,479	4,139,025	3,773,442	4,103,297	3,802,837	3,885,826	3,875,348
Health & welfare	837,234	774,804	1,005,108	762,059	812,303	771,933	801,740	716,642	604,040	663,639
Sanitation	1,449,345	1,460,844	1,637,541	1,595,580	1,507,164	1,576,541	1,510,116	1,559,847	1,576,299	1,558,825
Culture & recreation	2,423,084	2,335,255	2,552,929	2,577,082	2,664,121	2,644,736	2,697,540	2,679,467	2,953,589	2,647,311
Conservation	1,350	20,259	21,001	17,264	29,112	13,089	12,252	16,148	9,120	24,136
Redevelopment & housing	65,000	65,000	65,000	65,000	55,016	57,093	177,750	0	0	0
Economic Development	71,300	66,430	361,494	272,647	230,800	220,282	332,133	365,399	172,481	42,628
Capital outlay	1,295,877	3,705,771	4,980,552	1,678,387	3,425,537	1,631,514	1,620,455	4,905,502	2,246,600	3,975,511
<b>Debt service-</b>										
Principal retirement	1,139,342	935,000	870,000	860,000	855,000	920,000	1,447,116	953,863	937,612	930,539
Interest & fiscal charges	470,453	846,710	881,908	955,020	881,480	767,109	678,112	368,055	379,504	401,483
Intergovernmental	0	40,246	112,183	58,172	38,929	12,826	9,983	10,009	10,369	10,074
<b>Total Expenditures</b>	<b>\$28,967,388</b>	<b>\$31,056,717</b>	<b>\$38,046,383</b>	<b>\$35,178,735</b>	<b>\$36,930,064</b>	<b>\$35,176,353</b>	<b>\$35,926,036</b>	<b>\$38,764,317</b>	<b>\$36,287,512</b>	<b>\$37,613,902</b>
<b>Excess revenues over (under) expenditures</b>	<b>\$2,075,362</b>	<b>\$459,900</b>	<b>(\$1,737,363)</b>	<b>\$1,172,401</b>	<b>(\$462,922)</b>	<b>(\$28,226)</b>	<b>\$107,455</b>	<b>(\$1,445,653)</b>	<b>(\$250,316)</b>	<b>(\$754,691)</b>

**SCHEDULE 4 (continued)**

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<u>Other financing sources (uses):</u>										
Proceeds from sale of capital assets					\$550,000	\$47,335	\$129,354	\$125,472	\$294,416	\$70,654
Issuance of long-term bonds	\$3,500,000	\$0	\$1,000,000	\$100,000	647,116	0	0	0	3,400,000	4,000,000
Bond premium	\$0	\$0	\$0	\$0	0	0	0	0	0	3,787
Issuance of refunding debt	\$0	\$0	\$0	\$0	0	0	0	0	0	1,250,000
Payments to refunding escrow	\$0	\$0	\$0	\$0	0	0	0	0	0	(1,228,676)
Issuance of capital leases	148,503	473,539	438,380	323,803	547,134	150,617	0	898,394	367,654	203,068
Transfers in	7,412,929	2,974,518	4,877,188	5,252,138	4,126,327	3,216,376	4,764,888	3,595,665	1,289,095	598,621
Transfers out	(13,522,487)	(4,278,269)	(4,901,336)	(5,276,948)	(4,150,820)	(3,221,767)	(4,796,160)	(3,595,665)	(1,303,723)	(583,291)
Premium paid on asset exchange	0	0	(21,376)	0	(7,502)	(7,500)	0	0	0	0
Total other financing sources (uses)	(\$2,461,055)	(\$830,212)	\$1,392,856	\$398,993	\$1,712,255	\$185,061	\$98,082	\$1,023,866	\$4,047,442	\$4,314,163
<b>Net change in fund balances</b>	<b>(\$385,693)</b>	<b>(\$370,312)</b>	<b>(\$344,507)</b>	<b>\$1,571,394</b>	<b>\$1,249,333</b>	<b>\$156,835</b>	<b>\$205,537</b>	<b>(\$421,787)</b>	<b>\$3,797,126</b>	<b>\$3,559,472</b>
<b>Debt service as a percentage of non-capital expenditures</b>	<b>5.8%</b>	<b>6.5%</b>	<b>5.3%</b>	<b>5.4%</b>	<b>5.2%</b>	<b>5.0%</b>	<b>6.2%</b>	<b>3.9%</b>	<b>3.9%</b>	<b>4.0%</b>

Note: For the fiscal year ended June 30, 2004, interest and investment income was reported as miscellaneous revenue.

Source: Exhibit D-Statement of Revenues, Expenditures and Changes in Fund Balance  
12/3/13

## SCHEDULE 5

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

Fiscal Year	Residential Property	Commercial Property (1)	Industrial Property (1)	Less: Tax-Exempt Property	Total Taxable Assessed Value (2)	Total Town Direct Tax Rate	Estimated Actual Taxable Value	Total Assessed Value as a % of Estimated Actual Taxable Value
2004	\$1,346,912,118	\$461,190,325	\$0	\$17,268,500	\$1,790,833,943	\$10.86	\$2,665,169,654	67.194%
2005	1,891,864,100	391,236,800	0	16,796,375	\$2,266,304,525	8.58	2,806,879,197	80.741%
2006	1,916,485,900	393,363,300	0	18,412,875	\$2,291,436,325	9.31	3,117,340,578	73.506%
2007	2,478,166,614	433,996,506	64,134,100	20,075,232	\$2,956,221,988	7.50	3,082,608,955	95.900%
2008	2,522,675,292	419,301,173	62,022,100	19,345,933	\$2,984,652,632	7.64	3,020,860,172	98.801%
2009	2,217,289,640	406,647,328	67,086,800	26,439,044	\$2,664,584,724	8.81	2,787,222,515	95.600%
2010	2,041,836,522	409,283,343	67,359,800	28,739,420	\$2,489,740,245	9.39	2,620,779,205	95.000%
2011	2,044,021,314	406,511,108	68,917,300	29,023,053	\$2,490,426,669	9.41	2,485,455,757	100.200%
2012	2,047,409,452	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%

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

Notes:

(1) Unable to breakout Commercial and Industrial assessed value for Fiscal Years 2004-2006. The total for Commercial and Industrial is shown under Commercial for those years. Beginning in FY 2007, the Town shows Commercial and Industrial separately.

(2) Since 2003, the NH Department of Revenue Administration requires that all properties be reviewed at least every five years to insure that assessed property values are within a range of 90-110% of actual market value. The Town completed a revaluation in 2006 for FY07. The Town's goal is to maintain values as close to 100% through an annual process of cycled inspections and a valuation update every other year. A partial valuation update was done in 2008 for FY09, with the most recent full valuation update being done in 2012 for FY13.

## Schedule 6

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

Fiscal Year	Town Direct Rates			Total Overlapping Rates				Total Tax Rate (3)
	Town Services (1)	Fire District (2)	Total Direct Rate	Derry Cooperative School District	State Education Tax	Rockingham County	Total Overlapping Rates	
2004	\$7.44	\$3.42	\$10.86	\$14.54	\$5.38	\$1.39	\$21.31	\$32.17
2005	5.93	2.65	8.58	12.02	3.41	1.18	16.61	25.19
2006	9.31	0.00	9.31	13.23	3.37	1.12	17.72	27.03
2007	7.50	0.00	7.50	11.32	2.41	0.93	14.66	22.16
2008	7.64	0.00	7.64	11.08	2.44	0.89	14.41	22.05
2009	8.81	0.00	8.81	13.19	2.54	0.99	16.72	25.53
2010	9.39	0.00	9.39	14.85	2.59	1.05	18.49	27.88
2011	9.41	0.00	9.41	15.51	2.48	1.08	19.07	28.48
2012	9.52	0.00	9.52	14.22	2.49	1.04	17.75	27.27
2013	10.39	0.00	10.39	16.35	2.59	1.15	20.09	30.48

**Source:** NH Department of Revenue Administration approved tax rates

Notes:

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

**SCHEDULE 7**

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

Taxpayer	Type of Business	FY 2013			FY 2004		
		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	\$54,030,180	1	2.26%	\$48,944,800	1	2.73%
Campbell, Gilbert G., Trustee (Aladdin Village & Derry County Club Estates)	Real Estate - Apartments	32,081,500	2	1.34%	30,413,600	2	1.70%
Public Service Company of NH (PSNH)	Utility - Electric	21,981,200	3	0.92%	12,397,500	4	0.69%
HCA Health Services of NH, Inc. (Parkland Medical Center)	Healthcare - Hospital	20,293,600	4	0.85%	19,124,200	3	1.07%
Derry MZL LLC	Commercial - Retail	18,716,000	5	0.78%	12,109,100	5	0.68%
WP Hood Associates, LLC (Hood Plaza)	Commercial - Retail	15,004,100	6	0.63%	10,862,000	6	0.61%
Wal-Mart Real Estate Business Trust (Wal-Mart Superstore, Ashleigh Dr.)	Commercial - Retail	13,904,000	7	0.58%			
Derry Retirement Residence, LLC	Commercial - Elderly Assisted Living	9,719,300	8	0.41%			
EKMK Associates Ltd. Partnership	Real Estate - Apartments	9,577,700	9	0.40%			
Two Tsienneto Road Realty LLC	Medical Office Building	9,340,300	10	0.39%	6,010,100	10	0.34%
Wal-Mart Realty Co (Wal-Mart Store, Manchester Road)	Commercial - Retail w/Fueling Station				7,710,500	8	0.43%
Franklin Derry Limited Partnership (Franklin Village Apartments)	Real Estate - Apartments				6,746,600	9	0.38%
Sanmina Corp. (Sanmina/Hadco)	Industrial Manufacturing				10,492,000	7	0.59%
<b>Totals</b>		<b>\$204,647,880</b>		<b>8.57%</b>	<b>\$164,810,400</b>		<b>9.20%</b>
<b>Total Taxable Assessed Valuation is:</b>		<b>\$2,387,245,261</b>			<b>\$1,790,833,943</b>		

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



## SCHEDULE 8

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

Fiscal Year Ended June 30,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collection in Subsequent Years	Abatement of Original Tax Levy	Total Collections and Abatements to Date	
		Tax Amount	Percentage of Levy			Amount	Percentage of Levy
2004	\$19,082,745	\$17,177,389	90.02%	\$1,624,256	\$278,513	\$19,080,158	99.99%
2005	20,219,964	18,634,503	92.16%	1,338,942	243,817	20,217,263	99.99%
2006	21,717,219	20,737,653	95.49%	566,845	409,557	21,714,056	99.99%
2007	21,886,058	21,271,716	97.19%	482,833	125,955	21,880,504	99.97%
2008	** 22,529,760	21,908,661	97.24%	494,875	118,217	22,521,752	99.96%
2009	23,338,263	22,660,097	97.09%	550,335	107,953	23,318,385	99.91%
2010	23,037,481	22,505,738	97.69%	428,442	67,861	23,002,042	99.85%
2011	23,477,396	23,019,793	98.05%	331,769	55,458	23,407,020	99.70%
2012	23,817,145	23,360,347	98.08%	163,779	57,344	23,581,470	99.01%
2013	24,408,192	24,022,106	98.42%	0	29,795	24,051,901	98.54%

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

\* The numbers presented above represent only tax information for taxes collected for Town Services. They do include taxes collected for the individual Fire Districts that were consolidated and discontinued beginning 7/1/05.

The numbers presented above do not include taxes collected for the School District and the County, even though the Town bears the full burden for any uncollected taxes, having fully paid them to these two entities.

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

**SCHEDULE 9**

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

Fiscal Year	Governmental Activities			Tax Increment Financing Bonds	Business Type Activities					Total Primary Government	Total Primary Government Debt	
	General Obligation Bonds	Bond Anticipation Note	Capital Leases		Water Bonds	Water Capital Leases	Water Notes	Wastewater Bonds	Wastewater Capital Leases		As a % of Personal Income	Per Capita
2004	\$9,450,000	\$0	\$408,100	\$2,000,000	\$1,913,400	\$0	\$20,000	\$7,654,497	\$0	\$21,445,997	N/A	\$618
2005	8,515,000	0	596,529	2,000,000	1,638,740	0	15,000	6,884,158	0	19,649,427	N/A	566
2006	8,645,000	0	669,308	2,000,000	1,372,740	3,244	10,000	7,099,727	3,244	19,803,263	N/A	571
2007	7,785,000	100,000	554,768	2,000,000	1,106,740	2,568	5,000	6,334,615	2,568	17,891,259	N/A	520
2008	6,930,000	747,116	712,773	2,000,000	844,940	1,964	0	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	0	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	0	4,156,280	681	12,800,314	N/A	373
2011	4,960,000	0	814,225	1,760,000	400,000	1,058	0	3,649,730	1,059	11,586,072	0.26%	350
2012	4,450,000	0	836,286	5,080,000	350,000	0	0	3,136,078	0	13,852,364	0.22%	420
2013	7,990,000	0	698,815	5,000,000	800,000	0	0	2,865,000	0	17,353,815	0.18%	522

**Notes:**

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

See Schedule 13 for personal income and population data. These ratios are calculated using personal income and population for the prior calendar year, when available.

**SCHEDULE 10**

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

<b>Fiscal Year</b>	<b>General Bonded Debt Outstanding</b>			<b>% of Actual Taxable Value of Property</b>	<b>Per Capita</b>
	<b>General Obligation Bonds</b>	<b>Tax Increment Financing Bonds</b>	<b>Total</b>		
2004	\$9,450,000	\$2,000,000	\$11,450,000	0.64%	\$330
2005	8,515,000	2,000,000	10,515,000	0.46%	303
2006	8,645,000	2,000,000	10,645,000	0.46%	307
2007	7,785,000	2,000,000	9,785,000	0.33%	285
2008	6,930,000	2,000,000	8,930,000	0.30%	261
2009	6,090,000	1,920,000	8,010,000	0.30%	235
2010	5,470,000	1,840,000	7,310,000	0.29%	213
2011	4,960,000	1,760,000	6,720,000	0.27%	203
2012	4,450,000	5,080,000	9,530,000	0.38%	289
2013	7,990,000	5,000,000	12,990,000	0.55%	391

**Notes:**

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

Property value data from Form MS-1 filed with the NH Department of Revenue Administration for the prior tax year.

See Schedule 13 for population data. These ratios are calculated using estimated population for the prior calendar year.

**SCHEDULE 11**

**TOWN OF DERRY, NEW HAMPSHIRE  
DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT  
AS OF JUNE 30, 2013**

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Percentage Applicable</u>	<u>Share of Direct &amp; Overlapping Debt</u>
<b>Direct:</b>			
Town of Derry	\$12,990,000	100.00%	\$12,990,000
<b>Overlapping:</b>			
Rockingham County	0	6.0767%	0
Derry Cooperative School District	15,525,000	100.00%	<u>15,525,000</u>
Sub Total - Overlapping Debt			<u>15,525,000</u>
<b>Total Direct and Overlapping Debt</b>			<u><u>\$28,515,000</u></u>

**Sources:** Debt outstanding data is provided by each governmental unit and the percentage applicable to the Town of Derry for Rockingham County, based on 2013 town allocation, is provided by the County.

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

**SCHEDULE 12**

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

**Legal Debt Margin Calculation for Fiscal Year 2013**

Equalized assessed valuation	\$2,443,094,874
General Fund debit limit (3% of equalized Valuation)	73,292,846
Water Fund debit limit (10% of equalized Valuation)	244,309,487

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b><u>General Fund</u></b>										
Debt Limit	\$81,255,082	\$85,564,379	\$98,038,070	\$94,842,992	\$90,625,085	\$84,783,824	\$79,472,053	\$75,472,246	\$75,570,494	\$73,292,846
Total debt applicable to limit	<u>14,035,000</u>	<u>13,185,000</u>	<u>13,400,000</u>	<u>13,225,000</u>	<u>12,450,000</u>	<u>10,445,263</u>	<u>9,584,283</u>	<u>8,270,066</u>	<u>11,711,880</u>	<u>11,240,779</u>
Legal debt margin	<u>\$67,220,082</u>	<u>\$72,379,379</u>	<u>\$84,638,070</u>	<u>\$81,617,992</u>	<u>\$78,175,085</u>	<u>\$74,338,561</u>	<u>\$69,887,770</u>	<u>\$67,202,180</u>	<u>\$63,858,614</u>	<u>\$62,052,067</u>
Total debt applicable to limit as a percentage of debt limit	17.27%	15.41%	13.67%	13.94%	13.74%	12.32%	12.06%	10.96%	15.50%	15.34%
<b><u>Water Fund</u></b>										
Debt Limit	\$270,850,273	\$285,214,598	\$326,793,568	\$316,143,307	\$302,086,017	\$282,612,747	\$264,906,843	\$251,574,153	\$251,901,647	\$244,309,487
Total debt applicable to limit	<u>1,904,740</u>	<u>1,638,740</u>	<u>1,372,740</u>	<u>1,106,740</u>	<u>844,940</u>	<u>613,140</u>	<u>450,000</u>	<u>400,000</u>	<u>2,568,500</u>	<u>2,518,500</u>
Legal debt margin	<u>\$268,945,533</u>	<u>\$283,575,858</u>	<u>\$325,420,828</u>	<u>\$315,036,567</u>	<u>\$301,241,077</u>	<u>\$281,999,607</u>	<u>\$264,456,843</u>	<u>\$251,174,153</u>	<u>\$249,333,147</u>	<u>\$241,790,987</u>
Total debt applicable to limit as a percentage of debt limit	0.70%	0.57%	0.42%	0.35%	0.28%	0.22%	0.17%	0.16%	1.02%	1.03%

**Notes:**

Per New Hampshire Revised Statutes Annotated, the Town's general obligation debt and water district debt should not exceed 3% (RSA 33:4-a.III) and 10% (RSA 33:5-a), respectively, of equalized valuation as set forth in RSA 33:4-b and as determined by the NH Department of Revenue Administration.

There is no state debt margin for wastewater outstanding debt, because all wastewater bonds are guaranteed by the State of New Hampshire.

There is no state debt margin for Landfill Site Closure outstanding debt.

Per New Hampshire Revised Statutes annotated (RSA 162-K:8), Tax Increment Financing (TIF) District bonds shall not be included when computing the municipality's net debt.

**SCHEDULE 13****TOWN OF DERRY, NEW HAMPSHIRE  
DEMOGRAPHIC & ECONOMIC STATISTICS  
LAST TEN FISCAL YEARS**

<b>Fiscal Years Ended June 30,</b>	<b>Population</b>	<b>Personal Income</b>	<b>Per Capita Personal Income</b>	<b>School Enrollment</b>	<b>Unemployment Rate</b>
2004	34,678	N/A	N/A	6,765	5.4%
2005	34,710	N/A	N/A	6,593	4.5%
2006	34,655	N/A	N/A	6,339	3.9%
2007	34,386	N/A	N/A	6,391	4.5%
2008	34,200	N/A	N/A	6,266	4.4%
2009	34,071	N/A	N/A	6,251	7.8%
2010	34,318	N/A	N/A	6,161	6.4%
2011	33,109	\$997,673,497	\$30,133	6,018	5.5%
2012	33,008	993,177,712	30,089	5,900	6.5%
2013	33,220	1,038,257,880	31,254	5,863	5.6%

**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 2012-2013 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.

# SCHEDULE 14

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

Employer	Type of Business	Fiscal Year 2013			Fiscal Year 2004		
		Employees	Rank	% of Total Town Employment	Employees	Rank	% of Total Town Employment
Derry Cooperative School District	Education	620	1	3.38%	850	1	4.44%
HCA Health Services of NH	Healthcare/Hospital	531	2	2.89%	850	2	4.44%
Pinkerton Academy	Education	477	3	2.60%			
Town of Derry	Municipal services	364	4	1.98%	206	4	1.08%
Wal-Mart Store	Retail chain	200	5	1.09%	125	7	
Hannaford Supermarket	Supermarket	142	6	0.77%	149	6	0.78%
Fireye	Fire Equipment	125	7	0.68%	200	5	1.04%
Shaw's Supermarket	Supermarket	116	8	0.63%	225	3	1.17%
Biosan Laboratories	Vitamin, supplements & minerals	115	9	0.63%			
Sanmina/Hadco	Electronics	90	10	0.49%			
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 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 2013 and 2004 information is from the 2013 and 2004 calendar year Community Profiles, respectively, as well as from Town of Derry records.

# SCHEDULE 15

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

Function/Program	Fiscal Year Ended June 30,									
	2004	2005	2006	2007	2008	2009	2010*	2011	2012	2013
<u>Governmental Activities</u>										
General Government	24	24	26	27	27	27	26	25	24	24
Public Safety	141	149	165	162	162	162	153	153	152	150
Highway & Streets	30	28	28	28	28	28	28	27	27	27
Health & Welfare	1	2	3	3	3	3	3	3	3	3
Sanitation	5	6	6	6	6	6	5	5	5	5
Culture & Recreation	8	8	8	8	8	8	8	8	8	8
Economic Development	2	2	2	2	3	3	2	2	2	2
<u>Business-Type Activities</u>										
Water	6	6	6	6	6	6	6	6	6	6
Sewer	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>	<u>7</u>
Totals	<u>224</u>	<u>232</u>	<u>251</u>	<u>249</u>	<u>250</u>	<u>250</u>	<u>238</u>	<u>236</u>	<u>234</u>	<u>232</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.

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



**SCHEDULE 16**

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

	Fiscal Year									
	2004	2005	2006	2007	2008 *	2009	2010	2011	2012	2013
Public safety										
Number of police calls answered	27,119	27,446	25,979	22,709	21,850	23,426	24,690	26,663	26,939	26,607
Physical arrests	1,757	1,906	1,723	1,427	1,373	1,250	1,363	1,272	1,412	1,330
Traffic violations	1,867	1,803	1,294	1,035	801	833	960	1,144	1,052	1,008
Parking violations	937	969	901	797	616	396	482	534	1,182	966
Total Offenses Reported (prior calendar year basis)										
Group A	2,479	2,719	2,654	2,642	2,543	2,544	2,691	2,854	3,033	2,880
Group B	1,132	1,370	1,354	1,176	1,150	1,199	1,107	1,048	1,071	1,051
Fire & rescue calls dispatched (5 towns)	7,507	7,238	7,261	7,597	7,386	8,053	8,127	7,804	7,930	7,930
Total fire & rescue responses	3,915	3,844	4,126	4,060	4,199	4,519	4,546	4,393	4,282	4,193
Fire emergency services	1,066	713	785	907	860	1,248	1,513	1,405	1,396	1,445
False alarms	427	289	453	337	446	409	407	422	393	387
EMS/Rescue	2,422	2,842	2,888	2,816	2,893	2,991	3,033	2,939	2,886	2,886
Patients treated & transported		1,971	2,009	2,075	2,305	2,503	2,327	2,360	2,247	2,299
Patients treated only		15	14	18	29	53	25	10	22	29
Inspections conducted	1,245	1,089	1,444	769						
Fire code					866	1,012	705	697	713	744
Permits					182	78	648	198	627	773
Fire Permits	3,837	4,058	1,640	1,704	1,766	3,691	3,691	4,012	2,495	2,114
Public safety education programs	168	344	379	421	130	128	122	138	61	72
Program attendees		3,635	3735	4340	2766	4824	4877	4965	2179	815
Water										
Daily average water consumption	1.38 MGD	1.36 MGD	1.32 MGD	1.28 MGD	1.30 MGD	1.18 MGD	1.24 MGD	1.34 MGD	1.41 MGD	1.42 MGD
Maximum daily capacity in gallons	3.32 MGD	3.32 MGD	3.32 MGD	3.32 MGD	3.32 MGD	3.32 MGD	3.32 MGD	3.32 MGD	3.32 MGD	3.32 MGD
Sewer										
Daily average treatment in gallons	1.63 MGD	1.66 MGD	1.88 MGD	1.75 MGD	1.67 MGD	1.85 MGD	1.80 MGD	1.59 MGD	1.72 MGD	1.54 MGD
Maximum daily capacity	3.0 MGD	3.0 MGD	3.0 MGD	3.0 MGD	3.0 MGD	3.0 MGD	3.0 MGD	3.0 MGD	3.0 MGD	3.0 MGD

**Source:** Various Town departments

**Notes:**

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

# SCHEDULE 17

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

	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Public safety										
Police stations	1	1	1	1	1	1	1	1	1	1
Patrol units	30	30	30	30	30	30	30	30	30	30
Fire stations	3	5	4	4	4	4	4	4	4	4
Fire/EMS Response Apparatus	24	31	31	30	30	30	30	30	30	30
Highways & streets										
Miles of streets	161	161.5	161.7	160.9	160.9	162.4	162.4	162.8	163.2	163.2
Number of street lights	916	921	921	921	921	921	921	921	923	923
Miles of sidewalks	19	19	19	19	19.3	19.3	19.3	19.3	19.3	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	68	68	68.2	68.2	68.7	70.31	70.31	70.31
Service connections	3,913	3,927	3,945	3,966	3,977	3,989	4,005	4,028	4,041	4,050
Fire hydrants	562	571	573	575	575	591	592	614	614	614
Sewer										
Miles of sanitary sewers	46	46	46	46	46.6	48.9	48.9	48.9	48.9	48.9
Miles of storm sewers	17	17	18	18	18	18	18	19	19	19
Treatment plants	1	1	1	1	1	1	1	1	1	1
Service connections	2,928	2,954	2,984	2,995	3,021	3,029	3,049	3,064	3,082	3,087

Source: Various town departments