

**TOWN OF AMHERST, NEW HAMPSHIRE**

**Annual Financial Statements**

**For the Year Ended June 30, 2016**

**Town of Amherst, New Hampshire**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Amherst, New Hampshire

### Additional Offices:

Andover, MA  
Greenfield, MA  
Manchester, NH  
Ellsworth, ME

### **Report on the Financial Statements**

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

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

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of 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 Amherst , New Hampshire, as of June 30, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

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

*Melanson Heath*

December 22, 2016

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Amherst, we offer readers this narrative overview and analysis of the financial activities of the Town of Amherst for the year ended June 30, 2016.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide financial statements.** The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, deferred outflows/inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, sanitation, economic development, and culture and recreation. The business-type activities include the Baboosic Lake septic activities.

**Fund financial statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide

financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Proprietary funds.** Proprietary funds are maintained as follows:

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

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Baboosic Lake septic operations, which is considered to be a major fund.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is more like that used for proprietary funds.

**Notes to financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

## B. FINANCIAL HIGHLIGHTS

- As of the close of the current year, the total of assets exceeded liabilities by \$24,677,748 (i.e., net position), a change of \$3,384,331 in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$8,427,873, a change of \$(942,416) in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$5,218,994, a change of \$865,459 in comparison to the prior year.
- Total long-term debt (i.e., notes payable) at the close of the current fiscal year was \$8,287,569, a change of \$1,037,306 in comparison to the prior year.

## C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior years (in thousands).

	<u>NET POSITION</u>					
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 30,982	\$ 31,770	\$ 101	\$ 115	\$ 31,083	\$ 31,885
Capital assets	27,608	22,107	773	876	28,381	22,983
Deferred outflows	<u>301</u>	<u>273</u>	<u>-</u>	<u>-</u>	<u>301</u>	<u>273</u>
Total assets and deferred outflows	58,891	54,150	874	991	59,765	55,141
Long-term liabilities outstanding	10,911	10,251	252	297	11,163	10,548
Other liabilities	2,377	2,014	37	53	2,414	2,067
Deferred inflows	<u>21,510</u>	<u>21,233</u>	<u>-</u>	<u>-</u>	<u>21,510</u>	<u>21,233</u>
Total liabilities and deferred inflows	34,798	33,498	289	350	35,087	33,848
Net position:						
Net investment in capital assets	17,761	15,069	489	534	18,250	15,603
Restricted	3,159	3,087	-	-	3,159	3,087
Unrestricted	<u>3,173</u>	<u>2,496</u>	<u>96</u>	<u>107</u>	<u>3,269</u>	<u>2,603</u>
Total net position	<u>\$ 24,093</u>	<u>\$ 20,652</u>	<u>\$ 585</u>	<u>\$ 641</u>	<u>\$ 24,678</u>	<u>\$ 21,293</u>

CHANGES IN NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	2016	2015	2016	2015	2016	2015
Revenues:						
Program revenues:						
Charges for services	\$ 986	\$ 753	\$ 77	\$ 78	\$ 1,063	\$ 831
Operating grants	985	1,408	-	-	985	1,408
Capital grants and contributions	-	-	3	97	3	97
General revenues:						
Property taxes	8,034	7,889	-	-	8,034	7,889
Penalties and interest on taxes	306	215	-	-	306	215
Licenses and permits	2,965	2,845	-	-	2,965	2,845
Investment income	86	85	-	-	86	85
Intergovernmental	543	545	-	-	543	545
Other	186	254	-	-	186	254
Total revenues	14,091	13,994	80	175	14,171	14,169
Expenses:						
General government	1,984	1,964	-	-	1,984	1,964
Public safety	3,703	3,506	-	-	3,703	3,506
Highways and streets	2,266	3,343	-	-	2,266	3,343
Sanitation	609	651	-	-	609	651
Health and welfare	83	85	-	-	83	85
Culture and recreation	1,748	1,683	-	-	1,748	1,683
Conservation	8	7	-	-	8	7
Capital outlay	68	-	-	-	68	-
Interest on long-term debt	181	155	-	-	181	155
Baboosic lake septic fund	-	-	136	146	136	146
Miscellaneous	-	78	-	-	-	78
Total expenses	10,650	11,472	136	146	10,786	11,618
Change in net position	3,441	2,522	(56)	29	3,385	2,551
Net position - beginning of year	20,652	18,130	641	612	21,293	18,742
Net position - end of year	\$ 24,093	\$ 20,652	\$ 585	\$ 641	\$ 24,678	\$ 21,293

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent year, total net position was \$24,677,748, a change of \$3,384,331 from the prior year.

The largest portion of net position \$18,250,204 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.



An additional portion of net position \$3,158,713 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$3,268,831 may be used to meet the government's ongoing obligations to citizens and creditors.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$3,440,864. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 393,631
Road construction fund - accrual basis	546,869
Non-major funds operating results	71,504
Depreciation expense in excess of principal debt service	47,680
General fund capital asset additions	2,403,381
Other GAAP accruals	<u>(22,201)</u>
Total	\$ <u>3,440,864</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$(56,533). Key elements of this change are as follows:

Baboosic Lake septic operations	\$ <u>(56,533)</u>
Total	\$ <u><u>(56,533)</u></u>

#### **D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

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

**Governmental funds.** The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$8,427,873, a change of \$(942,416) in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 393,631
Road construction fund operating results	(1,407,551)
Non-major funds operating results	<u>71,504</u>
Total	\$ <u><u>(942,416)</u></u>

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$5,218,994, while total fund balance was \$6,520,191. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 5,218,994	\$ 4,353,535	\$ 865,459	41.7%
Total fund balance	\$ 6,520,191	\$ 6,126,560	\$ 393,631	52.1%

The total fund balance of the general fund changed by \$393,631 during the current year. Key factors in this change are as follows:

State and local revenues surplus	\$ 403,458
Budgetary appropriations turnbacks by departments	759,320
Tax collections excess compared to budget	(182,773)
Prior year encumbrances to be spent in the current year in excess of current year encumbrances to be spent in the subsequent year	(661,403)
Change in capital reserve fund balance	164,667
Change in land use change tax fund balance	10,362
Use of fund balance	<u>(100,000)</u>
Total	\$ <u>393,631</u>

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

	<u>06/30/16</u>	<u>6/30/15</u>	<u>Change</u>
Capital reserve fund	\$ <u>978,531</u>	\$ <u>813,864</u>	\$ <u>164,667</u>
Total	\$ <u>978,531</u>	\$ <u>813,864</u>	\$ <u>164,667</u>

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$95,521, a change of \$(11,449) in comparison to the prior year.

## **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

There was no overall change in the total appropriation, however there were certain reclassifications as a result of reserve fund transfers and special town meeting transfers. Major reasons for these amendments include:

- \$42,232 - General Government
- \$1,451 - Highways and Streets
- \$642 - Sanitation
- \$9,821 - Culture and Recreation
- \$(54,148) - Debt Service

## **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental and business-type activities at year-end amounted to \$28,380,903 (net of accumulated depreciation), a change of \$5,397,704 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital events during the current year included the following:

- \$4,768,988 increase in road construction and road resurfacing
- \$596,681 relating to construction in progress
- \$151,545 relating to the purchase of Truck 7400
- \$105,684 relating to the purchase of a new backhoe
- \$105,389 relating to the purchase of a new financial software system

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

**Long-term debt.** At the end of the current fiscal year, total debt outstanding was \$8,287,569, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to the Financial Statements.

## **REQUESTS FOR INFORMATION**

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

Town of Amherst  
Department of Finance  
2 Main Street  
P.O. Box 960  
Amherst, New Hampshire 03031

## TOWN OF AMHERST, NEW HAMPSHIRE

## STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 22,039,003	\$ -	\$ 22,039,003
Investments	3,253,030	-	3,253,030
Receivables, net of allowance for uncollectibles:			
Taxes	4,818,911	-	4,818,911
Departmental and other	195,347	-	195,347
User fees, net of allowance for uncollectibles	-	23,219	23,219
Intergovernmental	544,229	185,060	729,289
Other assets	23,499	-	23,499
Internal balances	107,630	(107,630)	-
Noncurrent:			
Capital assets:			
Land and construction in progress	8,664,898	-	8,664,898
Other capital assets, net of accumulated depreciation	18,942,993	773,012	19,716,005
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>301,135</u>	<u>-</u>	<u>301,135</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	58,890,675	873,661	59,764,336
<b>LIABILITIES</b>			
Current:			
Accounts payable	705,161	983	706,144
Retainage payable	189,250	-	189,250
Accrued liabilities	66,901	4,145	71,046
Tax refunds payable	153,165	-	153,165
Due to other governments	2,131	-	2,131
Current portion of long-term liabilities:			
Notes payable	1,156,000	31,927	1,187,927
Capital lease payable	91,383	-	91,383
Compensated absence	13,102	-	13,102
Noncurrent:			
Notes payable, net of current portion	6,847,999	251,643	7,099,642
Capital lease payable, net of current portion	286,933	-	286,933
Compensated absence, net of current portion	248,940	-	248,940
Accrued other post-employment benefits	306,367	-	306,367
Net pension liability	3,220,451	-	3,220,451
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>21,510,107</u>	<u>-</u>	<u>21,510,107</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	34,797,890	288,698	35,086,588
<b>NET POSITION</b>			
Net investment in capital assets	17,760,762	489,442	18,250,204
Restricted for:			
Grants and other statutory restrictions	999,908	-	999,908
Permanent funds:			
Nonexpendable	1,541,244	-	1,541,244
Expendable	617,561	-	617,561
Unrestricted	<u>3,173,310</u>	<u>95,521</u>	<u>3,268,831</u>
<b>TOTAL NET POSITION</b>	<u>\$ 24,092,785</u>	<u>\$ 584,963</u>	<u>\$ 24,677,748</u>

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

TOWN OF AMHERST, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
<b>Governmental Activities:</b>							
General government	\$ 1,983,929	\$ 17,047	\$ -	\$ -	\$ (1,966,882)	\$ -	\$ (1,966,882)
Public safety	3,703,108	448,732	110,788	-	(3,143,588)	-	(3,143,588)
Highways and streets	2,266,198	6,898	860,839	-	(1,398,461)	-	(1,398,461)
Sanitation	608,814	80,487	-	-	(528,327)	-	(528,327)
Health and welfare	82,526	-	-	-	(82,526)	-	(82,526)
Culture and recreation	1,747,634	432,776	-	-	(1,314,858)	-	(1,314,858)
Conservation	7,983	-	13,742	-	5,759	-	5,759
Capital Outlay	68,463	-	-	-	(68,463)	-	(68,463)
Interest	181,216	-	-	-	(181,216)	-	(181,216)
Miscellaneous	340	-	-	-	(340)	-	(340)
Total Governmental Activities	10,650,211	985,940	985,369	-	(8,678,902)	-	(8,678,902)
<b>Business-Type Activities:</b>							
Baboosic Septic Fund	136,227	76,414	-	3,280	-	(56,533)	(56,533)
Total Business-Type Activities	136,227	76,414	-	3,280	-	(56,533)	(56,533)
Total	<u>\$ 10,786,438</u>	<u>\$ 1,062,354</u>	<u>\$ 985,369</u>	<u>\$ 3,280</u>	(8,678,902)	(56,533)	(8,735,435)
<b>General Revenues and Contributions:</b>							
Taxes					8,033,504	-	8,033,504
Penalties, interest and other taxes					306,096	-	306,096
Licenses and permits					2,965,192	-	2,965,192
Investment income					86,174	-	86,174
Intergovernmental					542,925	-	542,925
Miscellaneous					185,875	-	185,875
Total general revenues					12,119,766	-	12,119,766
Change in net position					3,440,864	(56,533)	3,384,331
<b>Net Position:</b>							
Beginning of year					20,651,921	641,496	21,293,417
End of year					<u>\$ 24,092,785</u>	<u>\$ 584,963</u>	<u>\$ 24,677,748</u>

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

## TOWN OF AMHERST, NEW HAMPSHIRE

## GOVERNMENTAL FUNDS

## BALANCE SHEET

JUNE 30, 2016

	<u>General</u>	<u>Road Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 21,456,046	\$ -	\$ 582,957	\$ 22,039,003
Investments	978,531	-	2,274,499	3,253,030
Receivables:				
Property taxes	4,870,470	-	-	4,870,470
Departmental and other	195,221	-	126	195,347
Intergovernmental	5,420	537,615	1,194	544,229
Other assets	23,499	-	-	23,499
Due from other funds	<u>1,300,604</u>	<u>-</u>	<u>337,046</u>	<u>1,637,650</u>
TOTAL ASSETS	<u>\$ 28,829,791</u>	<u>\$ 537,615</u>	<u>\$ 3,195,822</u>	<u>\$ 32,563,228</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 484,907	\$ 124,484	\$ 33,538	\$ 642,929
Retainage payable	55,108	134,142	-	189,250
Accrued liabilities	-	-	3,571	3,571
Taxes refunds payable	153,165	-	-	153,165
Due to other funds	-	1,530,020	-	1,530,020
Due to other governments	2,131	-	-	2,131
Other liabilities	<u>62,232</u>	<u>-</u>	<u>-</u>	<u>62,232</u>
TOTAL LIABILITIES	757,543	1,788,646	37,109	2,583,298
<b>DEFERRED INFLOWS OF RESOURCES</b>	21,552,057	-	-	21,552,057
<b>FUND BALANCES</b>				
Nonspendable	-	-	1,541,244	1,541,244
Restricted	-	-	1,617,483	1,617,483
Committed	978,531	-	-	978,531
Assigned	322,666	-	-	322,666
Unassigned	<u>5,218,994</u>	<u>(1,251,031)</u>	<u>(14)</u>	<u>3,967,949</u>
TOTAL FUND BALANCES	<u>6,520,191</u>	<u>(1,251,031)</u>	<u>3,158,713</u>	<u>8,427,873</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 28,829,791</u>	<u>\$ 537,615</u>	<u>\$ 3,195,822</u>	<u>\$ 32,563,228</u>

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

TOWN OF AMHERST, NEW HAMPSHIRE

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

JUNE 30, 2016

<b>Total governmental fund balances</b>	<b>\$ 8,427,873</b>
<ul style="list-style-type: none"><li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li></ul>	27,607,891
<ul style="list-style-type: none"><li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li></ul>	547,604
<ul style="list-style-type: none"><li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li></ul>	(63,330)
<ul style="list-style-type: none"><li>• Long-term liabilities, (net of prepaid debt service) including notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li></ul>	(8,950,724)
<ul style="list-style-type: none"><li>• Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds.</li></ul>	<u>(3,476,529)</u>
<b>Net position of governmental activities</b>	<b>\$ <u>24,092,785</u></b>

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



TOWN OF AMHERST, NEW HAMPSHIRE  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	<u>Road Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Property taxes	\$ 8,081,887	\$ -	\$ -	\$ 8,081,887
Penalties, interest and other taxes	305,495	-	-	305,495
Licenses and permits	2,965,192	-	-	2,965,192
Intergovernmental	976,937	537,615	-	1,514,552
Charges for services	518,245	-	388,283	906,528
Investment income	90,855	-	83,159	174,014
Contributions	-	-	13,742	13,742
Miscellaneous	<u>27,721</u>	<u>-</u>	<u>149,726</u>	<u>177,447</u>
Total Revenues	12,966,332	537,615	634,910	14,138,857
<b>Expenditures:</b>				
Current:				
General government	2,069,194	-	44,562	2,113,756
Public safety	3,759,038	-	37,093	3,796,131
Highways and streets	3,604,803	3,945,166	8,769	7,558,738
Sanitation	609,690	-	-	609,690
Health and welfare	82,526	-	-	82,526
Culture and recreation	1,243,180	-	537,749	1,780,929
Capital outlay	68,463	-	-	68,463
Debt service	1,062,717	-	-	1,062,717
Conservation	7,983	-	-	7,983
Miscellaneous	<u>340</u>	<u>-</u>	<u>-</u>	<u>340</u>
Total Expenditures	<u>12,507,934</u>	<u>3,945,166</u>	<u>628,173</u>	<u>17,081,273</u>
Excess (deficiency) of revenues over expenditures	458,398	(3,407,551)	6,737	(2,942,416)
<b>Other Financing Sources (Uses):</b>				
Bond proceeds	-	2,000,000	-	2,000,000
Transfers in	-	-	175,752	175,752
Transfers out	<u>(64,767)</u>	<u>-</u>	<u>(110,985)</u>	<u>(175,752)</u>
Total Other Financing Sources (Uses)	<u>(64,767)</u>	<u>2,000,000</u>	<u>64,767</u>	<u>2,000,000</u>
Changes in Fund Balance	393,631	(1,407,551)	71,504	(942,416)
Fund Equity, at Beginning of Year	<u>6,126,560</u>	<u>156,520</u>	<u>3,087,209</u>	<u>9,370,289</u>
Fund Equity, at End of Year	<u>\$ 6,520,191</u>	<u>\$ (1,251,031)</u>	<u>\$ 3,158,713</u>	<u>\$ 8,427,873</u>

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

TOWN OF AMHERST, NEW HAMPSHIRE  
RECONCILIATION OF THE STATEMENT OF REVENUES  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ (942,416)</b>																
<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: <table> <tr> <td>Capital outlay purchases</td><td style="text-align: right;">6,357,801</td></tr> <tr> <td>Depreciation</td><td style="text-align: right;">(856,630)</td></tr> </table> </li> <li>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for accounts receivable (i.e., real estate) differ between the two statements. This amount represents the net change in deferred revenue. <div style="text-align: right;">(47,782)</div> </li> <li>The issuance of long-term debt (e.g., notes and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td>Repayments of debt</td><td style="text-align: right;">904,310</td></tr> <tr> <td>Note additions</td><td style="text-align: right;">(2,000,000)</td></tr> <tr> <td>Capital lease repayments</td><td style="text-align: right;">110,934</td></tr> <tr> <td>Capital lease additions</td><td style="text-align: right;">(203,372)</td></tr> </table> </li> <li>In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <div style="text-align: right;">(22,808)</div> </li> <li>Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table> <tr> <td>Compensated absences</td><td style="text-align: right;">(5,545)</td></tr> <tr> <td>Accrued other post-employment benefits</td><td style="text-align: right;">(39,336)</td></tr> </table> </li> <li>Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds. <div style="text-align: right;">185,708</div> </li> </ul>	Capital outlay purchases	6,357,801	Depreciation	(856,630)	Repayments of debt	904,310	Note additions	(2,000,000)	Capital lease repayments	110,934	Capital lease additions	(203,372)	Compensated absences	(5,545)	Accrued other post-employment benefits	(39,336)	
Capital outlay purchases	6,357,801																
Depreciation	(856,630)																
Repayments of debt	904,310																
Note additions	(2,000,000)																
Capital lease repayments	110,934																
Capital lease additions	(203,372)																
Compensated absences	(5,545)																
Accrued other post-employment benefits	(39,336)																
<b>Change in net position of governmental activities</b>	<b>\$ <u><u>3,440,864</u></u></b>																

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

TOWN OF AMHERST, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2016

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues and other sources:</b>				
Property taxes	\$ 8,264,660	\$ 8,264,660	\$ 8,264,660	\$ -
Penalties, interest and other taxes	161,251	161,251	175,366	14,115
Licenses and permits	2,691,569	2,691,569	2,965,192	273,623
Intergovernmental	939,334	939,334	976,937	37,603
Charges for services	507,000	507,000	518,245	11,245
Investment income	52,900	52,900	87,840	34,940
Miscellaneous	12,100	12,100	27,721	15,621
Transfers in	80,000	80,000	96,311	16,311
Use of fund balance	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total Revenues	12,808,814	12,808,814	13,212,272	403,458
<b>Expenditures and other uses:</b>				
Current:				
General government	2,214,099	2,256,331	2,023,389	232,942
Public safety	3,883,388	3,883,389	3,746,523	136,866
Highways and streets	3,261,835	3,263,286	3,016,215	247,071
Sanitation	606,286	606,928	609,690	(2,762)
Health and welfare	108,665	108,666	92,583	16,083
Culture and recreation	1,224,608	1,234,429	1,240,446	(6,017)
Conservation	8,000	8,000	7,983	17
Debt service	1,256,933	1,202,785	1,062,717	140,068
Transfers out	<u>245,000</u>	<u>245,000</u>	<u>249,948</u>	<u>(4,948)</u>
Total Expenditures	<u>12,808,814</u>	<u>12,808,814</u>	<u>12,049,494</u>	<u>759,320</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,162,778</u>	\$ <u>1,162,778</u>

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

TOWN OF AMHERST, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2016

Business-Type Activities  
Enterprise Funds  
Baboosic Septic  
Fund

**ASSETS**

Current:

User fees, net of allowance for uncollectibles	\$ 23,219
Intergovernmental receivables	<u>185,060</u>
Total current assets	208,279

Noncurrent:

Capital assets	
Other capital assets, net of accumulated depreciation	<u>773,012</u>
Total noncurrent assets	<u>773,012</u>

**TOTAL ASSETS**

981,291

**LIABILITIES**

Current:

Accounts payable	983
Accrued liabilities	4,145
Due to other funds	107,630
Notes payable	<u>31,927</u>
Total current liabilities	144,685

Noncurrent:

Notes payable, net of current portion	<u>251,643</u>
Total noncurrent liabilities	<u>251,643</u>

**TOTAL LIABILITIES**

396,328

**NET POSITION**

Net investment in capital assets	489,442
Unrestricted	<u>95,521</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 584,963</u></u>

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

TOWN OF AMHERST, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities <u>Enterprise Funds</u> Baboosic Septic <u>Fund</u>
<b>Operating Revenues:</b>	
Charges for services	\$ 76,414
Total Operating Revenues	76,414
<b>Operating Expenses:</b>	
Operating expenses	23,510
Depreciation	103,467
Total Operating Expenses	126,977
Operating Income	(50,563)
<b>Nonoperating Revenues (Expenses):</b>	
Intergovernmental	3,280
Interest expense	(9,250)
Total Nonoperating Revenues (Expenses), Net	(5,970)
Change in Net Position	(56,533)
Net Position at Beginning of Year	641,496
Net Position at End of Year	\$ 584,963

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

TOWN OF AMHERST, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2016

	Business-Type Activities <u>Enterprise Funds</u> Baboosic Septic <u>Fund</u>
<b><u>Cash Flows From Operating Activities:</u></b>	
Receipts from customers and users	\$ 77,593
Payments to vendors and employees	<u>(25,995)</u>
Net Cash Provided By Operating Activities	51,598
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>	
Principal payments on bonds and notes	(58,383)
Intergovernmental revenue	27,049
Interest expense	<u>(9,250)</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(40,584)</u>
Net Change in Cash and Short-Term Investments	11,014
Cash and Cash Equivalents (Deficiency), Beginning of Year	<u>(118,644)</u>
Cash and Cash Equivalents (Deficiency), End of Year	<u><u>\$ (107,630)</u></u>
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>	
Operating income	\$ (50,563)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	103,467
Changes in assets and liabilities:	
User fees	1,179
Accounts payable	(414)
Accrued liabilities	<u>(2,071)</u>
Net Cash Provided By Operating Activities	<u><u>\$ 51,598</u></u>

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

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

	Private Purpose Trust Funds	Agency Funds
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ -	\$ 202,438
Investments	<u>1,190,302</u>	<u>661,405</u>
Total Assets	1,190,302	863,843
 <b><u>LIABILITIES</u></b>		
Due to other governments	<u>-</u>	<u>863,843</u>
Total Liabilities	<u>-</u>	<u>863,843</u>
 <b><u>NET POSITION</u></b>		
Total net position held in trust	\$ <u><u>1,190,302</u></u>	\$ <u><u>-</u></u>

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

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

	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Contributions	\$ 888
Investment income	<u>51,097</u>
Total additions	51,985
<b>Deductions:</b>	
Education	<u>36,708</u>
Total deductions	<u>36,708</u>
Net increase	15,277
<b>Net position:</b>	
Beginning of year	<u>1,175,025</u>
End of year	\$ <u><u>1,190,302</u></u>

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



# TOWN OF AMHERST, NEW HAMPSHIRE

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

The Town was incorporated in 1760 and is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In year 2016, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

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

##### Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of 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. *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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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, and fiduciary funds, even though the latter are excluded from the government-

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current 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 Town reports the following major governmental funds:

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

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 non-operating revenues and expenses.

The government reports the following major proprietary funds:

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

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 Town's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Town's agency funds account for the capital reserve funds of the Amherst School District, Souhegan Cooperative School District, and the SAU 39 Capital Facilities Fund, which are held by the Town as required by State law. Other agency funds consist of escrow and developer's performance bonds.

#### D. Cash and Short-Term Investments

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

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

*E. Investments*

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

*F. Interfund Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the 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).

*G. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in governmental activities in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	15 – 20
Infrastructure	40
Vehicles and equipment	5 – 10
Library media	10

*H. Compensated Absences*

It is the Town’s policy to permit employees to accumulate earned but unused sick/vacation pay benefits. All vested vacation pay is accrued when incurred

in the government-wide financial statements. A liability for this amount is reported in governmental funds only if it has matured, for example, as a result of employee resignations and retirements.

*I. Long-Term Obligations*

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

*J. Fund Equity*

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

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

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

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent year.
- 5) Unassigned funds are available to be spent in future periods.

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

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

K. Use of Estimates

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

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

A. Budgetary Information

The Town's budget is originally prepared by the Selectmen's office with the cooperation of the various department heads. It is then submitted to the Budget Committee, in accordance with the Municipal Budget Law. After reviewing the budget, the Committee holds a public hearing for discussion.

The final version of the budget is then submitted for approval at the annual Town Meeting. The approved budget is subsequently reported to the State of New Hampshire on the statement of appropriation form in order to establish the current property tax rate.

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 12,966,332	\$ 12,507,934
Other financing sources/uses (GAAP basis)	-	64,767
Subtotal (GAAP Basis)	12,966,332	12,572,701
Adjust tax revenue to accrual basis	182,773	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(884,362)
Add end-of-year appropriation carryforwards from expenditures	-	222,959
To remove capital reserve funds	16,818	181,485
To remove land use change tax fund	(75,129)	(64,767)
To record use of fund balance	100,000	-
Other timing issues	21,478	21,478
Budgetary basis	<u>\$ 13,212,272</u>	<u>\$ 12,049,494</u>

### **3. Cash and Short-Term Investments**

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a Town with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." In accordance with the Town's investment policy for its governmental funds, all security transactions must be secured by collateral having a value at least equal to the amount of funds in excess of the FDIC deposit limits. Such collateral shall be segregated for the exclusive benefit of the Town and may consist of obligations of the United States government, United States government agencies or obligations of the State of New Hampshire.

As of June 30, 2016, none of the Town's bank balances of \$22,323,788 was exposed to custodial credit risk as uninsured or uncollateralized.

## 4. Investments

### A. Credit Risk

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

The Trustees of Trust Funds and Library Trustees do not have formal investment policies for managing its investments exposure from credit risk.

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>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>A1</u>	<u>A2</u>	<u>A3</u>	<u>Baa1</u>	<u>Baa2</u>	<u>Baa3</u>
Certificates of deposits	\$ 551		\$ 551	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate bonds	901		-	159	110	132	333	113	54
Corporate equities	1,647	N/A	1,647	-	-	-	-	-	-
Mutual funds	<u>2,006</u>	N/A	<u>2,006</u>	-	-	-	-	-	-
Total investments	<u>\$ 5,105</u>		<u>\$ 4,204</u>	<u>\$ 159</u>	<u>\$ 110</u>	<u>\$ 132</u>	<u>\$ 333</u>	<u>\$ 113</u>	<u>\$ 54</u>

### B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Trustees of Trust Funds and the Library Trustees have no policy regarding custodial credit risk.

### C. Concentration of Credit Risk

The Town does not have an investment in one issuer greater than 5% 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.



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

<u>Investment Type</u>	Investment Maturities (in Years)			
	<u>Fair Value</u>	<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Debt Related Securities:				
Certificates of deposit	\$ 551	\$ 551	\$ -	\$ -
Corporate bonds	<u>901</u>	<u>105</u>	<u>487</u>	<u>309</u>
Total	<u>\$ 1,452</u>	<u>\$ 656</u>	<u>\$ 487</u>	<u>\$ 309</u>

#### E. Fair Value

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

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

<u>Description</u>	Fair Value Measurements Using:	
	<u>Quoted prices in active markets for identical assets (Level 1)</u>	
Investments by fair value level:		
Debt securities		
Corporate bonds	\$ 901	\$ 901
Equity securities	1,647	1,647
Mutual funds	<u>2,006</u>	2,006
Total	<u>\$ 4,554</u>	

## **5. Taxes Receivable**

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the year for which taxes have been levied.

Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs, and accrued interest. The accounts that are 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, 2016 consist of the following (in thousands):

Real Estate		
2016		\$ 4,271
Unredeemed Taxes		
2015	253	
2014	101	
2013	32	
2012	<u>56</u>	
		442
Welfare and elderly liens		156
Yield tax		<u>1</u>
Total		<u>\$ 4,870</u>

#### Taxes Collected for Others

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

## **6. 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	\$ 52
Ambulance	\$ 307

## **7. Intergovernmental Receivables**

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

## 8. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2016 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 1,301	\$ -
Road Construction Fund	-	1,530
Nonmajor Governmental Funds	337	-
Enterprise Funds:		
Baboosic Lake septic fund	-	108
Total	<u>\$ 1,638</u>	<u>\$ 1,638</u>

## 9. Capital Assets

Capital asset activity for the year ended June 30, 2016 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, being depreciated:				
Buildings and improvements	\$ 3,951	\$ 141	\$ -	\$ 4,092
Machinery, equipment, and furnishings	9,913	705	(113)	10,505
Infrastructure	<u>10,712</u>	<u>4,769</u>	<u>-</u>	<u>15,481</u>
Total capital assets, being depreciated	24,576	5,615	(113)	30,078
Less accumulated depreciation for:				
Buildings and improvements	(1,521)	(139)	-	(1,660)
Machinery, equipment, and furnishings	(8,331)	(400)	113	(8,618)
Infrastructure	<u>(540)</u>	<u>(317)</u>	<u>-</u>	<u>(857)</u>
Total accumulated depreciation	<u>(10,392)</u>	<u>(856)</u>	<u>113</u>	<u>(11,135)</u>
Total capital assets, being depreciated, net	14,184	4,759	-	18,943
Capital assets, not being depreciated:				
Land	7,901	145	-	8,046
Works of art	22	-	-	22
Construction in progress	<u>-</u>	<u>597</u>	<u>-</u>	<u>597</u>
Total capital assets, not being depreciated	<u>7,923</u>	<u>742</u>	<u>-</u>	<u>8,665</u>
Governmental activities capital assets, net	<u>\$ 22,107</u>	<u>\$ 5,501</u>	<u>\$ -</u>	<u>\$ 27,608</u>

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ <u>1,552</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,552</u>
Total capital assets, being depreciated	1,552	-	-	1,552
Less accumulated depreciation for:				
Buildings and improvements	<u>(676)</u>	<u>(103)</u>	<u>-</u>	<u>(779)</u>
Total accumulated depreciation	<u>(676)</u>	<u>(103)</u>	<u>-</u>	<u>(779)</u>
Total capital assets, being depreciated, net	<u>876</u>	<u>(103)</u>	<u>-</u>	<u>773</u>
Business-type activities capital assets, net	\$ <u><u>876</u></u>	\$ <u><u>(103)</u></u>	\$ <u><u>-</u></u>	\$ <u><u>773</u></u>

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

<b>Governmental Activities:</b>	
General government	\$ 79
Public safety	159
Highway	475
Culture and recreation	<u>144</u>
Total depreciation expense - governmental activities	\$ <u><u>857</u></u>
<b>Business-Type Activities:</b>	
Baboosic lake septic	\$ <u>103</u>
Total depreciation expense - business-type activities	\$ <u><u>103</u></u>

## 10. Deferred Outflows of Resources

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

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

	<u>Entity-wide Basis</u>
	<u>Governmental</u>
	<u>Activities</u>
Pension related:	
Pension contributions subsequent	
to the measurement date	\$ 301,135

**11. Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses represent 2016 expenditures paid in fiscal 2017.

**12. Tax Refunds Payable**

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Board of Tax and Land Appeals.

**13. Capital Lease Obligations**

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

<u>Year</u>	<u>Capital Leases</u>
2017	\$ 97,582
2018	97,583
2019	97,582
2020	70,139
2021	<u>30,479</u>
Total minimum lease payments	393,365
Less amounts representing interest	<u>(15,049)</u>
Present Value of Minimum Lease Payments	<u>\$ 378,316</u>

**14. Long-Term Debt**

*A. Notes Payable*

The Town issues notes payable to provide funds for the acquisition and construction of major capital facilities. Notes payable have been issued for governmental and business-type activities. Notes payable currently outstanding are as follows:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/16
<u>Governmental Activities:</u>			
Spring Road	08/01/20	3.02%	\$ 250,000
Road Reconstruction	06/07/23	2.25%	1,400,000
Road Reconstruction	03/10/24	2.30%	1,600,000
Refunding	03/10/25	2.39%	2,753,999
LBS Loan	07/29/25	2.30%	<u>2,000,000</u>
Total Governmental Activities:			<u>\$ 8,003,999</u>

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/16
<u>Business-Type Activities:</u>			
Baboosic Lake Septic - phase 2	09/30/22	4.20%	\$ 83,300
Baboosic Lake Septic	08/01/25	3.17%	113,800
Baboosic Lake Septic	04/01/26	2.91%	<u>86,470</u>
Total Business-Type Activities:			<u>\$ 283,570</u>

**B. Future Debt Service**

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,156,000	\$ 164,722	\$ 1,320,722
2018	1,156,000	206,210	1,362,210
2019	1,156,000	178,985	1,334,985
2020	1,156,000	151,788	1,307,788
2021	1,156,000	124,669	1,280,669
2022 - 2026	<u>2,223,999</u>	<u>249,850</u>	<u>2,473,849</u>
Total	<u>\$ 8,003,999</u>	<u>\$ 1,076,224</u>	<u>\$ 9,080,223</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 31,927	\$ 7,653	\$ 39,580
2018	31,927	6,704	38,631
2019	31,927	5,766	37,693
2020	31,927	4,825	36,752
2021	31,927	3,893	35,820
2022 - 2026	<u>123,935</u>	<u>7,593</u>	<u>131,528</u>
Total	<u>\$ 283,570</u>	<u>\$ 36,434</u>	<u>\$ 320,004</u>

**C. Changes in General Long-Term Liabilities**

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

	Total Balance <u>7/1/15</u>	Additions	Reductions	Total Balance <u>6/30/15</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/16</u>
<b><u>Governmental Activities</u></b>						
Notes payable	\$ 6,908	\$ 2,000	\$ (904)	\$ 8,004	\$ (1,156)	\$ 6,848
Other:						
Capital lease	286	203	(111)	378	(91)	287
Compensated absences	256	6	-	262	(13)	249
Accrued other post-employment benefits	267	39	-	306	-	306
Net Pension Liability	<u>3,454</u>	<u>-</u>	<u>(233)</u>	<u>3,221</u>	<u>-</u>	<u>3,221</u>
Totals	<u>\$ 11,171</u>	<u>\$ 2,248</u>	<u>\$ (1,248)</u>	<u>\$ 12,171</u>	<u>\$ (1,260)</u>	<u>\$ 10,911</u>
<b><u>Business-Type Activities</u></b>						
Notes payable	<u>\$ 342</u>	<u>\$ -</u>	<u>\$ (58)</u>	<u>\$ 284</u>	<u>\$ (32)</u>	<u>\$ 252</u>
Totals	<u>\$ 342</u>	<u>\$ -</u>	<u>\$ (58)</u>	<u>\$ 284</u>	<u>\$ (32)</u>	<u>\$ 252</u>

**15. Deferred Inflows of Resources**

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

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

	<u>Entity-wide Basis</u> Governmental <u>Activities</u>	<u>Fund Basis</u> <u>General Fund</u>
Unearned revenue	\$ 4,228,693	\$ 4,827,856
Taxes collected in advance	16,724,201	16,724,201
Pension related:		
Differences between expected and actual experience	70,670	-
Net difference between projected and actual earnings on pension plan investments	86,071	-
Changes in proportion and differences between contributions and proportionate share of pension contributions	<u>400,472</u>	<u>-</u>
	<u>\$ 21,510,107</u>	<u>\$ 21,552,057</u>

## **16. Restricted Net Position**

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

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

## **17. Governmental Funds - Balances**

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

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

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

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

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, capital reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements, and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

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



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

	General Fund	Road Construction Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 1,541,244	\$ 1,541,244
Total Nonexpendable	-	-	1,541,244	1,541,244
Restricted				
Special revenue fund	-	-	999,922	999,922
Expendable permanent funds	-	-	617,561	617,561
Total Restricted	-	-	1,617,483	1,617,483
Committed				
Capital reserve funds	978,531	-	-	978,531
Total Committed	978,531	-	-	978,531
Assigned				
For encumbrances:				
General government	87,660	-	-	87,660
Public safety	4,000	-	-	4,000
Highway	118,142	-	-	118,142
Culture and recreation	13,157	-	-	13,157
Reserved for other purposes:				
Reserved for revaluation	19,833	-	-	19,833
Land use change tax fund	79,874	-	-	79,874
Total Assigned	322,666	-	-	322,666
Unassigned				
Capital project fund	-	(1,251,031)	-	(1,251,031)
Special revenue fund	-	-	(14)	(14)
Unassigned	5,218,994	-	-	5,218,994
Total Unassigned	5,218,994	(1,251,031)	(14)	3,967,949
Total Fund Balance	\$ 6,520,191	\$ (1,251,031)	\$ 3,158,713	\$ 8,427,873

## 18. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in respect to how undesignated fund balance is reported in accordance with the budgetary basis for reporting for the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire considers revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$ 5,218,994
Tax refund estimate	153,165
Adjust deferred revenue	111,093
Other	<u>(2,270)</u>
Tax Rate Setting Balance	<u>\$ 5,480,982</u>

## 19. **Subsequent Events**

### Debt

Subsequent to June 30, 2016, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
Long-term note payable	\$ 2,000,000	2.30%	07/01/16	07/29/25
DPW capital lease	\$ 445,423	2.13%	10/24/16	01/24/22

## 20. **Commitments and Contingencies**

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

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

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

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

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather

than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

*A. Plan Description*

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of June 30, 2016, the actuarial valuation date, approximately 3 retirees and 64 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

*B. Benefits Provided*

The Town provides dental, medical, and pharmacy benefits to eligible retirees. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

*C. Funding Policy*

Retirees contribute 100% of the cost of the health plan, as determined by the Town.

*D. Annual OPEB Costs and Net OPEB Obligation*

The Town's fiscal 2016 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2016, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of July 1, 2015.

Annual Required Contribution (ARC)	\$ 87,235
Interest on net OPEB obligation	10,681
Adjustment to ARC	<u>(10,612)</u>
Annual OPEB cost	87,304
Contributions made	<u>(47,968)</u>
Increase in net OPEB obligation	39,336
Net OPEB obligation - beginning of year	<u>267,031</u>
Net OPEB obligation - end of year	<u><u>\$ 306,367</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 87,304	55%	\$ 306,367
2015	\$ 109,905	69%	\$ 267,031
2014	\$ 109,894	64%	\$ 233,148
2013	\$ 109,882	59%	\$ 193,365

The Town's net OPEB obligation as of June 30, 2016 is recorded as a component of the "other long-term liabilities" line item.

**E. Funded Status and Funding Progress**

The funded status of the plan as of July 1, 2015, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 765,168
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 765,168</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 3,737,219</u>
UAAL as a percentage of covered payroll	<u>20%</u>

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

**F. Actuarial Methods and Assumptions**

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include techniques

that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2015 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% investment rate of return and an initial annual healthcare cost trend rate of 9%, which decreases to a 5% long-term rate for all healthcare benefits after 9 years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on an open group basis. This has been calculated assuming the amortization payment increases at a rate of 3%.

## **22. Retirement System**

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

### **A. Plan Description**

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

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

### **B. Benefits Provided**

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based

on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is  $\frac{1}{60}$  or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at  $\frac{1}{66}$  or 1.515% of AFC multiplied by years of creditable service.

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

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

#### *C. Contributions*

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and teachers 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 11.17% to 29.16% of covered compensation. The Town's contribution to NHRS for the year ended June 30, 2016 was \$301,135.

#### *D. Summary of Significant Accounting Policies*

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

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

At June 30, 2016, the Town reported a liability of \$3,220,451 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Town's proportion was .00813 percent.

For the year ended June 30, 2016, the Town recognized pension expense of \$185,708. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 70,670
Net difference between projected and actual earnings on pension plan investments	-	86,071
Changes in proportion and differences between contributions and proportionate share of contributions	-	400,472
Contributions subsequent to the measurement date	<u>301,135</u>	<u>-</u>
Total	<u>\$ 301,135</u>	<u>\$ 557,213</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 146,480
2018	(154,655)
2019	(154,655)
2020	(53,727)
2021	<u>(39,521)</u>
Total	<u>\$ (256,078)</u>

## F. Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2010.

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

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Weighted Average Average Long- Term Expected Real Rate of Return</u>
Large Cap Equities	22.50 %	3.25%
Small/Mid Cap Equities	7.50	3.25%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.25%
Emerging Int'l Equities	7.00	6.50%
Total international equities	20.00	
Core Bonds	4.50	-0.70%
Short Duration	2.50	-1.00%
Global Multi-Sector Fixed Income	11.00	0.28%
Unconstrained Fixed Income	7.00	0.16%
Total fixed income	25.00	
Private equity	5.00	5.50%
Private debt	5.00	4.50%
Real estate	10.00	3.50%
Opportunistic	5.00	2.75%
Total alternative investments	25.00	
Total	100.00 %	



#### G. Discount Rate

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

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

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

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
June 30, 2016	\$ 4,239,305	\$ 3,220,451	\$ 2,351,872

#### I. Pension Plan Fiduciary Net Position

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

### **23. Risk Management**

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

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

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

**TOWN OF AMHERST, NEW HAMPSHIRE  
SCHEDULE OF OPEB FUNDING PROGRESS  
REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2016  
(Unaudited)**

<b>Other Post-Employment Benefits</b>						
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>
07/01/15	\$ -	\$ 765,168	\$ 765,168	0.0%	\$ 3,737,219	20.5%
07/01/12	\$ -	\$ 1,212,589	\$ 1,212,589	0.0%	\$ 3,192,264	38.0%
07/01/09	\$ -	\$ 1,255,353	\$ 1,255,353	0.0%	\$ 3,265,756	38.4%

See Independent Auditors' Report.

**TOWN OF AMHERST, NEW HAMPSHIRE**  
**SCHEDULE OF PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2016**  
**(Unaudited)**

New Hampshire Retirement System					
<u>Fiscal Year</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2016	0.081%	\$3,220,451	\$ 1,324,835	243%	65.50%
June 30, 2015	0.092%	\$3,454,042	\$ 1,266,132	273%	66.30%

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

See Independent Auditors' Report.

**TOWN OF AMHERST, NEW HAMPSHIRE**

**SCHEDULE OF PENSION CONTRIBUTIONS  
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2016  
(Unaudited)**

New Hampshire Retirement System					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2016	\$ 301,135	\$ 301,135	\$ 602,270	\$ 1,324,835	23%
June 30, 2015	\$ 272,727	\$ 272,727	\$ 545,454	\$ 1,266,132	22%

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

See Independent Auditors' Report.