

TOWN OF SANBORNTON, NEW HAMPSHIRE

Financial Statements

June 30, 2015

and

Independent Auditor's Report

TOWN OF SANBORNTON, NEW HAMPSHIRE
FINANCIAL STATEMENTS
June 30, 2015

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FINANCIAL STATEMENTS
June 30, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Sanbornton, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Sanbornton, New Hampshire, as of and for the year ended June 30, 2015, 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

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 2 to the financial statements, management has not recorded a liability for other post-employment benefits in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other post-employment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on Governmental Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town of Sanbornton, New Hampshire, as of June 30, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting policies generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund and the aggregate remaining fund information of the Town of Sanbornton, New Hampshire, as of June 30, 2015, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

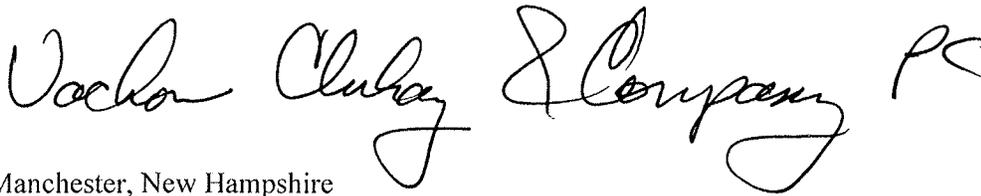
Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, schedule of changes in the Town’s proportionate share of the net pension liability, and schedule of the Town’s contribution on pages i-vii and 29-32 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 sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Sanbornton, New Hampshire’s basic financial statements. The

combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "Vachon Clukey & Company PC". The signature is written in black ink and is positioned above the typed text.

Manchester, New Hampshire
January 19, 2016

Town of Sanbornton, New Hampshire
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending June 30, 2015

The Town of Sanbornton provides this Management Discussion & Analysis as part of the format prescribed by the provisions of the Government Standards Board Statement 34 (GASB 34). This overview and analysis of the Town of Sanbornton's financial activities covers the twelve months Financial Statements ending June 30, 2015. This report and its content have been designed to fairly present the Town's financial position, including the result of operations of all the funds of the Town. All the disclosures necessary to enable and to assist the reader to acquiring an accurate understanding of the Town's financial activities have been included.

Overview of the Financial Statement

This discussion and analysis is intended to serve as an introduction to the Town of Sanbornton's financial statements. The basic financial statements comprise three components:

- 1) Government-wide financial statements
- 2) Fund financial statements
- 3) Notes to the basic financial statements

This report also contains supplementary information in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to most private-sector companies.

The statement of net position presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between them reported as net position. The statement of activities presents information illustrating how the Town's net position changed during the most recent fiscal year.

Both of the government-wide financial statements have separate sections for two types of activities:

Governmental activities – represent most of the Town's basic services and includes all Governmental Funds

Business-type activities- account for the Town's sewer operations and receives its revenue from user fees.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain the control over resources that have been segregated for specific activities or objectives. Sanbornton uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. The Town maintains three fund types: governmental, proprietary and fiduciary 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 governmental-wide financial statements, governmental fund financial statements

Town of Sanbornton, New Hampshire
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending June 30, 2015

focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the governmental-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. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net position and statement of activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances for the General Fund, the Y Capital Fund and the Non-Major Governmental Funds.

Sanbornton relies on a May Town Meeting and adopts an annual budget for its General Fund. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary Funds provide sewer services to customers and charge a user fee.

Fiduciary Funds are used to account for resources held for the benefit of parties outside of town 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 programs. Fiduciary Funds include Private Purpose Trust Funds (Nonexpendable Trusts) under the stewardship of the Sanbornton Trustees of the Trust Fund.

Notes to the Basic 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.

Comparative Information

The information below reflects activities for the year ended June 30, 2014 and the year ended June 30, 2015.

Government-Wide Financial Analysis

Governmental Activities (See Exhibits A & B)

Statement of Net Position

Net position of the Town of Sanbornton's governmental activities as of June 30, 2015 is as follows:

Town of Sanbornton, New Hampshire
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending June 30, 2015

| | | |
|-------------------------------|----------------------|----------------------|
| Current and Other Assets: | <u>June 30, 2014</u> | <u>June 30, 2015</u> |
| Current Assets | \$ 7,161,524 | \$ 7,017,788 |
| Other Assets | <u>\$13,514,288</u> | <u>\$12,505,273</u> |
| Total Assets | <u>\$20,675,812</u> | <u>\$19,523,061</u> |
| Deferred Outflow of Resources | <u>\$ 135,110</u> | <u>\$ 241,804</u> |
| Current and Other Liabilities | | |
| Current Liabilities | \$ 928,837 | \$ 1,189,744 |
| Other Liabilities | <u>\$4,949,403</u> | <u>\$ 3,135,017</u> |
| Total Liabilities | <u>\$5,878,240</u> | <u>\$ 4,324,761</u> |
| Deferred Inflows of Resources | <u>\$4,415,671</u> | <u>\$ 4,632,184</u> |
| Net Position | | |
| Invested in Capital Assets | \$9,834,707 | \$10,555,660 |
| Restricted | \$ 124,149 | \$ 124,967 |
| Unrestricted | <u>\$ 558,155</u> | <u>\$ 127,293</u> |
| Total Net Position | <u>\$10,517,011</u> | <u>\$10,807,920</u> |

Sanbornton's net position totaled \$10,807,920 at June 30, 2015 with \$10,555,660 reflecting the investment in capital assets such as land, buildings, infrastructure, and equipment less the outstanding debt used to acquire those assets.

Statement of Activities

Changes in net position of the governmental activities for the year ending June 30, 2015 are as follows:

| | | |
|------------------------------------|----------------------|----------------------|
| Program Revenues: | <u>June 30, 2014</u> | <u>June 30, 2015</u> |
| Charges for Services | \$ 258,186 | \$ 227,843 |
| Operating Grants and Contributions | \$ 176,632 | \$ 180,543 |
| Capital Grants and Contributions | <u>\$ 459,140</u> | <u>\$ 0</u> |
| Total Program Revenues | <u>\$ 893,958</u> | <u>\$ 458,386</u> |
| General Revenues: | | |
| Property & Other Taxes | \$3,343,955 | \$3,207,117 |
| Licenses & Permits | \$ 574,684 | \$ 640,947 |
| Intergovernmental Revenues | \$ 132,545 | \$ 151,213 |
| Interest & Investment Earnings | \$ 11,584 | \$ 5,839 |
| Miscellaneous | <u>\$ 30,868</u> | <u>\$ 21,385</u> |
| Total General Revenues | <u>\$4,093,636</u> | <u>\$4,026,501</u> |
| Total Revenues | <u>\$4,987,594</u> | <u>\$4,484,887</u> |
| Program Expenses: | | |
| General Government | \$ 1,054,212 | \$1,093,341 |
| Public Safety | \$ 920,032 | \$ 866,593 |

**Town of Sanbornton, New Hampshire
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending June 30, 2015**

| | | |
|---------------------------------|----------------------|---------------------|
| Highway & Streets | \$ 1,182,061 | \$1,615,873 |
| Health & Welfare | \$ 94,250 | \$ 92,344 |
| Sanitation | \$ 124,449 | \$ 132,564 |
| Culture & Recreation | \$ 238,797 | \$ 255,014 |
| Interest | <u>\$ 150,740</u> | <u>\$ 88,249</u> |
| Total Expenses | <u>\$ 3,764,541</u> | <u>\$ 4,143,978</u> |
| Change In Net Position: | \$ 1,223,053 | \$ 290,909 |
| Net Position –Beginning of Year | <u>\$ 12,048,789</u> | \$10,517,011 |
| Restatement for GASB 68 | <u>(1,531,778)</u> | <u>0</u> |
| Net Position-Ending of Year | <u>\$ 10,517,011</u> | <u>\$10,807,920</u> |

During the year ended June 30, 2015, the Town adopted and implemented GASB Statement #68 – *Accounting and Financial Reporting for Pensions*. Pension reporting creates a long term liability due to the New Hampshire Retirement System, deferred inflows and outflows of resources, and a restatement of net position.

As shown in the above statement the Town of Sanbornton's governmental activities experienced a favorable increase in financial position of \$290,909.

Business-Type Activities (See Exhibits E, F & G)

Statement of Net Position

Net position of the business-type activities as of June 30, 2015 is as follows:

| | | |
|--------------------------------|----------------------|----------------------|
| Current and Other Assets | <u>June 30, 2014</u> | <u>June 30, 2015</u> |
| Current Assets | \$ 69,416 | \$ 90,055 |
| Other Assets | <u>\$ 0</u> | <u>\$ 0</u> |
| Total Assets | <u>\$ 69,416</u> | <u>\$ 90,055</u> |
| Deferred Outflows of Resources | <u>\$ 0</u> | <u>\$ 0</u> |
| Current and Other Liabilities | | |
| Current Liabilities | \$ 0 | \$ 0 |
| Other Liabilities | <u>\$ 0</u> | <u>\$ 0</u> |
| Deferred Inflows of Resources | <u>\$ 24,409</u> | <u>\$ 28,468</u> |
| Net Position | | |
| Unrestricted | <u>\$ 44,007</u> | <u>\$ 61,587</u> |
| Total Net Position | <u>\$ 44,007</u> | <u>\$ 61,587</u> |

Statement of Activities

Changes in the net position of the business-type activities for the year ending June 30, 2015 are as follows:

**Town of Sanbornton, New Hampshire
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending June 30, 2015**

| | | |
|--------------------------------|----------------------|----------------------|
| Program Revenues: | <u>June 30, 2014</u> | <u>June 30, 2015</u> |
| Charges for Services | \$ <u>52,108</u> | \$ <u>53,876</u> |
| Total Program Revenues | \$ <u>52,108</u> | \$ <u>53,876</u> |
| | | |
| General Revenues | | |
| Interest & Investment Earnings | \$ <u>1</u> | \$ <u>1</u> |
| Total General Revenues | \$ <u>1</u> | \$ <u>1</u> |
| Total Revenues | \$ <u>52,109</u> | \$ <u>53,877</u> |
| Program Expenses: | | |
| Contract Services | \$ <u>47,411</u> | \$ <u>36,297</u> |
| Total Expenses | \$ <u>47,411</u> | \$ <u>36,297</u> |
| Change In Net Position | \$ <u>4,698</u> | \$ <u>17,580</u> |
| Net Position-Beginning of Year | \$ <u>39,309</u> | \$ <u>44,007</u> |
| Net Position – Ending of Year | \$ <u>44,007</u> | \$ <u>61,587</u> |

The following source for business-type activities is charges for services. Net position increased by \$17,580.

Financial Analysis of the Town's Funds

As noted previously, The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

The focus of the Town of Sanbornton's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's 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.

General Fund

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the general fund had a fund balance of \$1,071,640. There was a use of fund balance to help offset the current year tax rate in the amount of \$314,176.

Other Governmental Funds

For financial statement reporting purposes, the following funds are included as part of the General Fund: Energy Conservation Fund, Food Pantry Fund, Library Fund, Town Hall Restoration Fund, Drug Forfeiture Fund, and Capital Reserve Funds. The total fund balance of these funds is \$549,508.

Town of Sanbornton, New Hampshire
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending June 30, 2015

Y Capital Project Fund

The Fund Balance as of June 30, 2015 is \$68,983. This 2/3rds State of New Hampshire Department of Transportation funded project is related to the reconstruction of Hunkins Pond, Upper Bay and Bay Roads.

Non-Major Governmental Funds

Includes the following separate funds: Ambulance Fund, Conservation Commission Fund, Recreation Fund, Cemetery Sales Fund and the Police Details Revolving Fund.

Proprietary Funds

The Town's proprietary fund, the Sewer Fund, had an unrestricted net position of \$61,587 at June 30, 2015. Charges for services for sewer operation cover the Winnepesaukee River Basin Program Administration, Operating & Maintenance and Capital charges as allocated to Sanbornton based upon the Town's share of the entire project.

Capital Assets and Long-Term Obligations

Capital Assets

The Town of Sanbornton's Capital Assets of \$19,545,285 covers Land, Construction in progress, Infrastructure, Buildings & Improvements and Vehicles and Equipment. Assets depreciated using the straight-line method over the course of their useful life. The Total Accumulated Depreciation at June 30, 2015 is \$7,040,012, resulting in a Net Capital Assets of \$12,505,273. See Note 6 in the Notes to the Basic Financial Statements for additional information.

Long-Term Obligations

All Changes to Long-Term Obligations resulted in a \$1,164,005 net decrease primarily in Bonds Payable and Capital Lease Payments. Additional information regarding the Town's long-term debt obligations can be found in Note 8 of the Notes to the Basic Financial Statements.

Budgetary Highlights

Budgetary information for the General Fund (a major governmental fund) is included in the Required Supplementary Information section. Budgetary information in these financial statements has been presented for only one of the Town's major governmental funds (the General Fund).

Actual revenues and transfers in on the budgetary basis were higher than the estimated budgeted amount by \$54,593.

The Town under-expended its budget by \$143,271.

**Town of Sanbornton, New Hampshire
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending June 30, 2015**

Economic Factors

The Town's Assessed Valuation for setting the municipality tax rate increased from \$388,082,990 to \$389,742,783. The Town's portion of the total property tax rate increased from \$8.23 to \$8.82 per \$1,000 of valuation. The Town accounted for 37% of the total tax rate of \$24.01 per \$1,000. The remaining municipal tax rate calculation for FY '15 being broken down as: \$1.44 for the County tax rate, \$2.62 for the State Education and \$11.13 for Local Education.

The Town of Sanbornton remains in good financial condition. The Town of Sanbornton has a stable cash flow and does not have to utilize any Tax Anticipation Notes. It is the Board of Selectmen's intent to continue this stability during the coming years.

Contacting the Town of Sanbornton's Financial Management

This financial report is to provide our citizens and creditors with a general overview of the Town's finances and to show a measure of accountability for the money it receives. If you have any questions about this report or need to get additional information, contact the Board of Selectmen at, PO Box 124, Sanbornton, NH 03269, telephone number 603-286-8303.

EXHIBIT A
TOWN OF SANBORNTON, NEW HAMPSHIRE
Statement of Net Position
June 30, 2015

| | Governmental <u>Activities</u> | Business-type <u>Activities</u> | <u>Total</u> |
|---|-----------------------------------|------------------------------------|----------------------|
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 3,831,363 | \$ 1,542 | \$ 3,832,905 |
| Investments | 523,904 | | 523,904 |
| Taxes receivable, net | 2,007,930 | | 2,007,930 |
| Accounts receivable, net | 22,962 | 45,725 | 68,687 |
| Due from other governments | 674,417 | | 674,417 |
| Internal balances | <u>(42,788)</u> | <u>42,788</u> | <u>-</u> |
| Total Current Assets | <u>7,017,788</u> | <u>90,055</u> | <u>7,107,843</u> |
| Noncurrent Assets: | | | |
| Non-depreciable capital assets | 3,082,510 | | 3,082,510 |
| Depreciable capital assets, net | <u>9,422,763</u> | | <u>9,422,763</u> |
| Total Noncurrent Assets | <u>12,505,273</u> | <u>-</u> | <u>12,505,273</u> |
| Total Assets | <u>19,523,061</u> | <u>90,055</u> | <u>19,613,116</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows - pension | <u>241,804</u> | | <u>241,804</u> |
| Total Deferred Outflows of Resources | <u>241,804</u> | | <u>241,804</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | 21,116 | | 21,116 |
| Accrued expenses | 105,899 | | 105,899 |
| Unearned recreation revenue | 15,514 | | 15,514 |
| Current portion of bonds payable | 1,004,221 | | 1,004,221 |
| Current portion of capital leases payable | 31,444 | | 31,444 |
| Current portion of estimated liability for landfill postclosure care costs | <u>11,550</u> | | <u>11,550</u> |
| Total Current Liabilities | <u>1,189,744</u> | <u>-</u> | <u>1,189,744</u> |
| Noncurrent Liabilities: | | | |
| Bonds payable | 1,161,290 | | 1,161,290 |
| Capital leases payable | 71,423 | | 71,423 |
| Compensated absences payable | 148,504 | | 148,504 |
| Net pension liability | 1,563,225 | | 1,563,225 |
| Estimated liability for landfill postclosure care costs | <u>190,575</u> | | <u>190,575</u> |
| Total Noncurrent Liabilities | <u>3,135,017</u> | <u>-</u> | <u>3,135,017</u> |
| Total Liabilities | <u>4,324,761</u> | <u>-</u> | <u>4,324,761</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Unearned property tax revenue | 4,432,168 | | 4,432,168 |
| Deferred inflows - pension | 200,016 | | 200,016 |
| Unearned user charges | | <u>28,468</u> | <u>28,468</u> |
| Total Deferred Inflows of Resources | <u>4,632,184</u> | <u>28,468</u> | <u>4,660,652</u> |
| NET POSITION | | | |
| Net investment in capital assets | 10,555,660 | | 10,555,660 |
| Restricted | 124,967 | | 124,967 |
| Unrestricted | <u>127,293</u> | <u>61,587</u> | <u>188,880</u> |
| Total Net Position | <u>\$ 10,807,920</u> | <u>\$ 61,587</u> | <u>\$ 10,869,507</u> |

See accompanying notes to the basic financial statements

EXHIBIT B
TOWN OF SANBORNTON, NEW HAMPSHIRE
Statement of Activities
For the Year Ended June 30, 2015

| Functions/Programs | Expenses | Program Revenues | | | Net (Expense) Revenue and Changes in Net Position | |
|---------------------------------------|---------------------|-------------------------|--|----------------------------|--|----------------------|
| | | Charges for Services | Operating Grants and Contributions | Governmental Activities | Business-type Activities | Total |
| Governmental Activities: | | | | | | |
| General government | \$ 1,093,341 | \$ 1,103 | | \$ (1,092,238) | | \$ (1,092,238) |
| Public safety | 866,593 | 74,176 | | (792,417) | | (792,417) |
| Highways and streets | 1,615,873 | | \$ 180,108 | (1,435,765) | | (1,435,765) |
| Health and welfare | 92,344 | | | (92,344) | | (92,344) |
| Sanitation | 132,564 | 82,309 | | (50,255) | | (50,255) |
| Culture and recreation | 255,014 | 70,255 | 435 | (184,324) | | (184,324) |
| Interest and fiscal charges | 88,249 | | | (88,249) | | (88,249) |
| Total governmental activities | <u>4,143,978</u> | <u>227,843</u> | <u>180,543</u> | <u>(3,735,592)</u> | <u>\$ -</u> | <u>(3,735,592)</u> |
| Business-type activities: | | | | | | |
| Sewer | <u>36,297</u> | <u>53,876</u> | | | <u>17,579</u> | <u>17,579</u> |
| Total business-type activities | <u>36,297</u> | <u>53,876</u> | <u>-</u> | <u>-</u> | <u>17,579</u> | <u>17,579</u> |
| Total primary government | <u>\$ 4,180,275</u> | <u>\$ 281,719</u> | <u>\$ 180,543</u> | <u>(3,735,592)</u> | <u>17,579</u> | <u>(3,718,013)</u> |
| General revenues: | | | | | | |
| Property and other taxes | | | | 3,207,117 | | 3,207,117 |
| Licenses and permits | | | | 640,947 | | 640,947 |
| Grants and contributions: | | | | | | |
| Rooms and meals tax distribution | | | | 143,813 | | 143,813 |
| Railroad tax | | | | 7,400 | | 7,400 |
| Interest and investment earnings | | | | 5,839 | 1 | 5,840 |
| Miscellaneous | | | | 21,385 | | 21,385 |
| Total general revenues | | | | <u>4,026,501</u> | <u>1</u> | <u>4,026,502</u> |
| Change in net position | | | | 290,909 | 17,580 | 308,489 |
| Net position - beginning, as restated | | | | 10,517,011 | 44,007 | 10,561,018 |
| Net position - ending | | | | <u>\$ 10,807,920</u> | <u>\$ 61,587</u> | <u>\$ 10,869,507</u> |

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF SANBORNTON, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
June 30, 2015

| | General Fund | "Y" Capital Project Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|--------------------------------|-----------------------------------|--------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 3,460,278 | | \$ 371,085 | \$ 3,831,363 |
| Investments | 405,285 | | 118,619 | 523,904 |
| Taxes receivable, net | 2,007,930 | | | 2,007,930 |
| Accounts receivable, net | | | 22,962 | 22,962 |
| Due from other governments | 7,400 | | | 7,400 |
| Due from other funds | 540 | \$ 68,983 | - | 69,523 |
| Total Assets | <u>5,881,433</u> | <u>68,983</u> | <u>512,666</u> | <u>6,463,082</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Total Deferred Outflows of Resources | | | | |
| Total Assets and Deferred Outflows of Resources | <u>\$ 5,881,433</u> | <u>\$ 68,983</u> | <u>\$ 512,666</u> | <u>\$ 6,463,082</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 21,116 | | | \$ 21,116 |
| Accrued expenses | 44,638 | | | 44,638 |
| Due to other funds | 111,771 | | \$ 540 | 112,311 |
| Unearned recreation revenue | | | 15,514 | 15,514 |
| Total Liabilities | <u>177,525</u> | <u>\$ -</u> | <u>16,054</u> | <u>193,579</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Unearned property tax revenue | 4,632,268 | | | 4,632,268 |
| Total Deferred Inflows of Resources | <u>4,632,268</u> | <u>-</u> | <u>-</u> | <u>4,632,268</u> |
| FUND BALANCES | | | | |
| Nonspendable | | | 47,040 | 47,040 |
| Restricted | 423 | | 77,504 | 77,927 |
| Committed | 514,473 | 68,983 | 372,068 | 955,524 |
| Assigned | 37,776 | | | 37,776 |
| Unassigned | 518,968 | | | 518,968 |
| Total Fund Balances | <u>1,071,640</u> | <u>68,983</u> | <u>496,612</u> | <u>1,637,235</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 5,881,433</u> | <u>\$ 68,983</u> | <u>\$ 512,666</u> | |

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds 12,505,273

Other long-term assets are not available to pay current period expenditures, and therefore, are not reported in governmental funds 667,017

Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis 200,100

Deferred outflows of resources and deferred inflows of resources that do not provide or require the use of current financial resources are not reported within the funds.

Deferred outflow of resources attributable to net pension liability 241,804
Deferred inflow of resources attributable to net pension liability (200,016)

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:

Bonds payable (2,165,511)
Capital leases payable (102,867)
Compensated absences payable (148,504)
Accrued interest on long-term obligations (61,261)
Net pension liability (1,563,225)
Estimated liability for landfill postclosure care costs (202,125)
Net position of governmental activities \$ 10,807,920

See accompanying notes to the basic financial statements

EXHIBIT D

TOWN OF SANBORNTON, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2015

| | General Fund | "Y" Capital Project Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|--------------------------------------|---------------------|--------------------------------|-----------------------------------|--------------------------------|
| Revenues: | | | | |
| Taxes | \$ 3,200,693 | | \$ 5,000 | \$ 3,205,693 |
| Licenses and permits | 640,947 | | | 640,947 |
| Intergovernmental | 331,756 | \$ 700,000 | | 1,031,756 |
| Charges for services | 87,635 | | 140,208 | 227,843 |
| Investment income | 4,330 | | 1,509 | 5,839 |
| Miscellaneous | 18,085 | | 3,300 | 21,385 |
| Total Revenues | <u>4,283,446</u> | <u>700,000</u> | <u>150,017</u> | <u>5,133,463</u> |
| Expenditures: | | | | |
| Current operations: | | | | |
| General government | 1,116,744 | | | 1,116,744 |
| Public safety | 735,834 | | 12,009 | 747,843 |
| Highways and streets | 769,440 | | | 769,440 |
| Health and welfare | 92,344 | | | 92,344 |
| Sanitation | 140,360 | | | 140,360 |
| Culture and recreation | 228,410 | | 8,333 | 236,743 |
| Capital outlay | 644,580 | | 12,154 | 656,734 |
| Debt service: | | | | |
| Principal retirement | 453,130 | 700,000 | | 1,153,130 |
| Interest and fiscal charges | 121,608 | | | 121,608 |
| Total Expenditures | <u>4,302,450</u> | <u>700,000</u> | <u>32,496</u> | <u>5,034,946</u> |
| Excess revenues over expenditures | <u>(19,004)</u> | <u>-</u> | <u>117,521</u> | <u>98,517</u> |
| Other financing sources (uses): | | | | |
| Capital lease proceeds | 21,952 | | | 21,952 |
| Transfers in | 66,853 | | | 66,853 |
| Transfers out | | | (66,853) | (66,853) |
| Total other financing sources (uses) | <u>88,805</u> | <u>-</u> | <u>(66,853)</u> | <u>21,952</u> |
| Net change in fund balances | 69,801 | - | 50,668 | 120,469 |
| Fund balances at beginning of year | <u>1,001,839</u> | <u>68,983</u> | <u>445,944</u> | <u>1,516,766</u> |
| Fund balances at end of year | <u>\$ 1,071,640</u> | <u>\$ 68,983</u> | <u>\$ 496,612</u> | <u>\$ 1,637,235</u> |

TOWN OF SANBORNTON, 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, 2015

| | |
|---|-------------------|
| Net Change in Fund Balances--Total Governmental Funds | \$ 120,469 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlay in the current period. | (300,196) |
| Payments received on long-term receivables are reported as revenue in the funds when received. However, these payments reduce the current and non-current assets in the statement of net position. | (700,000) |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 1,424 |
| Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the net loss on the disposal of capital assets reduced by the actual proceeds received from the sale of capital assets. | (41,802) |
| Proceeds from capital leases are reported as other financing sources in the funds, but a capital lease increases long-term liabilities in the statement of net position. | (21,952) |
| Repayment of bond and capital lease principal is an expenditure in the governmental funds, but repayment reduces long-term liabilities in the statement of net position. | 1,184,307 |
| In the statement of activities, interest is accrued on outstanding bonds and capital leases, whereas in governmental funds, an interest expenditure is reported when due. | 36,668 |
| Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense reflects the change in the net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which pension contributions exceeded pension expense in the current period. | 10,341 |
| Some expenses reported in the statement of activities, such as compensated absences and the estimated liability for landfill postclosure care costs, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. | 1,650 |
| Change in Net Position of Governmental Activities | <u>\$ 290,909</u> |

See accompanying notes to the basic financial statements

EXHIBIT E
TOWN OF SANBORNTON, NEW HAMPSHIRE
Statement of Net Position
Proprietary Fund
June 30, 2015

| | Sewer Fund |
|--------------------------------------|------------------|
| ASSETS | |
| Current Assets: | |
| Cash and cash equivalents | \$ 1,542 |
| Accounts receivable | 45,725 |
| Due from other funds | <u>42,788</u> |
| Total Assets | <u>90,055</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Total Deferred Outflows of Resources | <u>-</u> |
| LIABILITIES | |
| Current Liabilities: | |
| Total Liabilities | <u>-</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Unearned user charges | <u>28,468</u> |
| Total Deferred Inflows of Resources | <u>28,468</u> |
| NET POSITION | |
| Unrestricted | <u>61,587</u> |
| Total Net Position | <u>\$ 61,587</u> |

See accompanying notes to the basic financial statements

EXHIBIT F
TOWN OF SANBORNTON, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2015

| | Sewer Fund |
|---|------------------|
| Operating revenues: | |
| Charges for services | \$ 53,876 |
| Total operating revenues | <u>53,876</u> |
| Operating expenses: | |
| Contractual services | <u>36,297</u> |
| Total operating expenses | <u>36,297</u> |
| Operating income | <u>17,579</u> |
| Non-operating revenues: | |
| Interest revenue | <u>1</u> |
| Net non-operating revenues | <u>1</u> |
| Change in net position | 17,580 |
| Total net position at beginning of year | <u>44,007</u> |
| Total net position at end of year | <u>\$ 61,587</u> |

See accompanying notes to the basic financial statements

EXHIBIT G
TOWN OF SANBORNTON, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2015

| | Sewer <u>Fund</u> |
|--|----------------------|
| Cash flows from operating activities: | |
| Cash received from customers | \$ 46,335 |
| Cash paid to suppliers | <u>(36,297)</u> |
| Net cash provided by operating activities | <u>10,038</u> |
| Cash flows from investing activities: | |
| Interest on investments | <u>1</u> |
| Net cash provided by investing activities | <u>1</u> |
| Net increase in cash and cash equivalents | 10,039 |
| Cash and cash equivalents at beginning of year | <u>34,291</u> |
| Cash and cash equivalents at end of year | <u>\$ 44,330</u> |
| Reconciliation of operating income to net cash provided by operating activities: | |
| Operating income | \$ 17,579 |
| Changes in assets and liabilities: | |
| (Increase) in accounts receivable | (10,600) |
| Increase in unearned user charges | <u>3,059</u> |
| Net cash provided by operating activities | <u>\$ 10,038</u> |

See accompanying notes to the basic financial statements

EXHIBIT H
TOWN OF SANBORNTON, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015

| | ASSETS | Private- Purpose <u>Trust Funds</u> |
|--------------------|--------------|---|
| Cash | | \$ 5,341 |
| Investments | | <u>131,803</u> |
| Total assets | | <u>\$ 137,144</u> |
| | | |
| | NET POSITION | |
| Held in trust | | <u>\$ 137,144</u> |
| Total net position | | <u>\$ 137,144</u> |

See accompanying notes to the basic financial statements

EXHIBIT I
TOWN OF SANBORNTON, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2015

| | <u>Private- Purpose Trust Funds</u> |
|---|---|
| ADDITIONS: | |
| Investment earnings: | |
| Interest | \$ 4,936 |
| Net (decrease) in the fair value of investments | <u>(3,765)</u> |
| Total Investment Earnings | <u>1,171</u> |
| Total Additions | <u>1,171</u> |
| DEDUCTIONS: | |
| Benefits | <u>479</u> |
| Total Deductions | <u>479</u> |
| Change in net position | 692 |
| Net position - beginning of year | <u>136,452</u> |
| Net position - end of year | <u>\$ 137,144</u> |

See accompanying notes to the basic financial statements

TOWN OF SANBORNTON, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The Town of Sanbornton, New Hampshire (the Town) was incorporated in 1770. The Town operates under the Town Meeting/Board of Selectmen form of government and performs local governmental functions as authorized by State law.

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

Basis of Presentation

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

1. Government-Wide Financial Statements:

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

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

2. Fund Financial Statements:

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

TOWN OF SANBORNTON, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

Fund Accounting

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

1. Governmental Funds:

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

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

The "Y" *Capital Project Fund* accounts for financial transactions related to the construction and reconstruction of Upper Bay Road and Bay Road.

2. Proprietary Funds:

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

The *Sewer Fund* accounts for all revenues and expenses pertaining to the Town's wastewater services provided by the Winnepesaukee River Basin Program.

The Sewer 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.

3. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The Town maintains one category of fiduciary funds known as private purpose trust funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town maintains private purpose trust funds which account for monies designated to benefit individuals within the Town.

TOWN OF SANBORNTON, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Measurement Focus

1. Government-Wide Financial Statements:

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

2. Fund Financial Statements:

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

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

The private purpose trust fund is reported using the economic resources measurement focus.

Basis of Accounting

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

1. Revenues – Exchange and Non-exchange Transactions:

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

TOWN OF SANBORNTON, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied (see Note 3). Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at fiscal year end: property taxes and interest on investments.

Licenses and permits, charges for services, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

2. Unearned Revenue:

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as advances from grantor. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as unearned revenue.

3. Expenses/Expenditures:

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

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

Budgetary Data

The Town's budget represents functional appropriations as authorized by annual or special Town meetings. The Selectmen may transfer funds between operating categories as they deem necessary. The Town adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended June 30, 2015, the Town applied \$314,176 of its unappropriated fund balance to reduce taxes.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of the following:

TOWN OF SANBORNTON, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

| | |
|---------------------------|------------------|
| | Sewer |
| | <u>Fund</u> |
| Cash and cash equivalents | \$ 1,542 |
| Due from other funds | <u>42,788</u> |
| | <u>\$ 44,330</u> |

Investments

Investments are stated at their fair value in all funds. Certificates of deposit and repurchase agreements with a maturity of greater than ninety days from the date of issuance are included in investments.

Taxes Receivable

Taxes levied during the current fiscal year and prior and uncollected at June 30, 2015 are recorded as receivables net of reserves for estimated uncollectibles of \$10,000.

Accounts Receivable

Accounts receivable are recorded net of reserves for estimated uncollectibles of \$45,545 in the Ambulance Fund, a Nonmajor Governmental Fund.

Capital Assets

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

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the date received. The Town maintains a capitalization threshold of \$5,000. The Town's infrastructure consists of roads, bridges and similar items. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

| <u>Description</u> | <u>Years</u> |
|----------------------------|--------------|
| Infrastructure | 40 |
| Buildings and improvements | 40 |
| Vehicles and equipment | 5-10 |

Compensated Absences

Employees earn vacation and sick leave as they provide services. Provision is made in the annual budget for vacation and sick leave. Pursuant to Town personnel policy and collective bargaining agreements,

TOWN OF SANBORNTON, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

employees may accumulate up to 60 days of unused sick time earned and, upon retirement, resignation or death will be compensated for half of the total accrued amounts at current rates of pay. Employees may also accumulate up to 25 days of unused vacation pay earned and, upon retirement, resignation or death will be compensated for the total accrued amounts at current rates of pay.

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

Accrued Liabilities and Long-Term Obligations

Except for the obligation for other post-employment benefits (see Note 2), all payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current fiscal year.

General obligation bonds and capital leases that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Pensions

During the year ended June 30, 2015, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 68 - *Accounting and Financial Reporting for Pensions*. 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 New Hampshire Retirement System (NHRS) and additions to/deductions from NHRS's 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 the benefit terms.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net 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. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

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

TOWN OF SANBORNTON, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Fund Balance Policy

The Town has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- *Nonspendable Fund Balance*: Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance*: Amounts constrained to specific purposes stipulated by external resource providers or through enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or by the enabling legislation.
- *Committed Fund Balance*: Amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision making authority (Board of Selectmen). Commitments may be changed or lifted only by the Board of Selectmen taking the same formal action that imposed the constraint originally. The Board of Selectmen's actions must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.
- *Assigned Fund Balance*: Amounts a Town intends to use for specific purposes. For all governmental funds other than the General Fund, any remaining positive amounts are to be classified as "assigned".
- *Unassigned Fund Balance*: Amounts that are available for any purpose; these amounts are reported only in the General Fund, except for any deficit fund balances of another governmental fund.

In circumstances where expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classification can be used, committed amounts should be reduced first, followed by assigned amounts then unassigned amounts.

As of June 30, 2015 the Town has not established a Fund Balance Policy.

Interfund Activity

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

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

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the sewer fund, these revenues are charges to customers for sales and services.

TOWN OF SANBORNTON, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Operating expenses are necessary costs incurred to provide the service that is the primary activity of the proprietary fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Estimates

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

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Other Post-Employment Benefits

The Town has not implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The provisions of GASB 45 were required to be implemented by the Town during the year ended June 30, 2010.

NOTE 3—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$388,082,990 as of April 1, 2014) and are due in two installments on July 11, 2014 and December 22, 2014. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

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

In accordance with State law, the Town collects taxes for the Winnisquam Regional School District and Belknap County, both independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$5,124,598 and \$586,554, for the Winnisquam Regional School District and Belknap County, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes.

NOTE 4—RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended June 30, 2015, the Town participated in a public entity risk pool (Trust) for property and liability insurance and

TOWN OF SANBORNTON, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

worker’s compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at June 30, 2015.

Property and Liability Insurance

The Trust provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the Town shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$500,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$5,000,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker’s Compensation

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

NOTE 5—DEPOSITS AND INVESTMENTS

Deposits and investments as of June 30, 2015 are classified in the accompanying financial statements as follows:

| | |
|--------------------------------------|---------------------|
| Statement of Net Position: | |
| Cash and cash equivalents | \$ 3,832,905 |
| Investments | 523,904 |
| Statement of Fiduciary Net Position: | |
| Cash and cash equivalents | 5,341 |
| Investments | 131,803 |
| Total deposits and investments | <u>\$ 4,493,953</u> |

Deposits and investments at June 30, 2015 consist of the following:

TOWN OF SANBORNTON, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

| | |
|--------------------------------------|---------------------|
| Cash on hand | \$ 164,090 |
| Deposits with financial institutions | 4,079,441 |
| Investments | <u>250,422</u> |
| Total deposits and investments | <u>\$ 4,493,953</u> |

The Town does not have an investment policy for the investment of public funds in governmental funds. Responsibility for the investments of the Trust Funds is with the Board of Trustees. Investments of the Library Fund are at the discretion of the Library Trustees.

As of June 30, 2015, Town investments in the following investment types were held by the same counterparty that was used to buy the securities.

| <u>Investment Type</u> | <u>Reported Amount</u> |
|--------------------------|------------------------|
| Equity Income Funds | 2,982 |
| Bond Mutual Funds | 131,671 |
| Prime Money Market Funds | <u>115,769</u> |
| | <u>\$ 250,422</u> |

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 policy to address interest rate risk.

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

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Remaining Maturity</u> | | |
|------------------------|-------------------|---------------------------|------------------|---------------------|
| | | <u>0-1 Years</u> | <u>1-5 Years</u> | <u>> 5 Years</u> |
| Bond Mutual Funds | <u>\$ 131,671</u> | <u>\$ 6,452</u> | <u>\$ 263</u> | <u>\$ 124,956</u> |

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town's investments are held in unrated mutual funds. The Town does not have a policy to address credit risk.

Custodial Credit Risk

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

TOWN OF SANBORNTON, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Of the Town's deposits with financial institutions at year end, \$3,291,677 was collateralized by securities held by the bank in the bank's name. Of the Town's deposits with financial institutions at year end, \$35,518 was uninsured.

NOTE 6—CAPITAL ASSETS

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

| | <u>Balance</u> <u>7/1/2014</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>6/30/2015</u> |
|---|-----------------------------------|---------------------|--------------------|------------------------------------|
| Governmental activities: | | | | |
| Capital assets not depreciated: | | | | |
| Land | \$ 3,082,510 | | | \$ 3,082,510 |
| Total capital assets not being depreciated | <u>3,082,510</u> | <u>\$ -</u> | <u>\$ -</u> | <u>3,082,510</u> |
| Other capital assets: | | | | |
| Infrastructure | 11,469,432 | | | 11,469,432 |
| Buildings and improvements | 2,472,763 | | (53,775) | 2,418,988 |
| Vehicles and equipment | 2,567,589 | 75,361 | (68,595) | 2,574,355 |
| Total other capital assets at historical cost | <u>16,509,784</u> | <u>75,361</u> | <u>(122,370)</u> | <u>16,462,775</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (4,574,916) | (153,427) | | (4,728,343) |
| Buildings and improvements | (435,325) | (39,403) | 11,973 | (462,755) |
| Vehicles and equipment | (1,734,782) | (182,727) | 68,595 | (1,848,914) |
| Total accumulated depreciation | <u>(6,745,023)</u> | <u>(375,557)</u> | <u>80,568</u> | <u>(7,040,012)</u> |
| Total other capital assets, net | <u>9,764,761</u> | <u>(300,196)</u> | <u>(41,802)</u> | <u>9,422,763</u> |
| Total capital assets, net | <u>\$ 12,847,271</u> | <u>\$ (300,196)</u> | <u>\$ (41,802)</u> | <u>\$ 12,505,273</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|--|-------------------|
| General government | \$ 3,622 |
| Public safety | 97,282 |
| Highways and streets | 266,387 |
| Sanitation | 1,344 |
| Culture and recreation | 6,922 |
| Total governmental activities depreciation expense | <u>\$ 375,557</u> |

The balance of the assets acquired through capital leases as of June 30, 2015 is as follows:

| | |
|------------------------------------|-------------------|
| Vehicles and equipment | \$ 174,373 |
| Less accumulated depreciation for: | |
| Vehicles and equipment | <u>(34,875)</u> |
| | <u>\$ 139,498</u> |

TOWN OF SANBORNTON, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

NOTE 7—DEFINED BENEFIT PENSION PLAN

The Town contributes to the New Hampshire Retirement System (NHRS), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. The New Hampshire Retirement System is a public employee retirement system that administers a single cost-sharing multiple-employer defined benefit pension plan. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature.

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

Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan.

The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and are available to pay retirement benefits to all members

Benefits Provided

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

Group II Members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have a 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 $1/4$ 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 earnable compensation and/or service.

TOWN OF SANBORNTON, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

Funding Policy

Plan members are required to contribute 7.0%, 11.55% and 11.80%, respectively, of their covered salary and the Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of general employees, police officers, and fire employees were 10.77%, 25.30%, and 27.74%. The Town contributes 100% of the employer cost for general employees, police officers and fire employees employed by the Town. Contributions to the pension plan for the Town were \$138,706 for the year ended June 30, 2015.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation.

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

At June 30, 2015, the Town reported a liability of \$1,563,225 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2013. The Town's proportion of the net pension liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2014, the Town's proportion was approximately 0.0416 percent, which was an increase of 0.0029 from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$128,365. At June 30, 2015, 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> |
|---|---|--|
| Net difference between projected and actual earnings on pension plan investments | | \$ 200,016 |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | \$ 103,098 | - |
| Town contributions subsequent to the measurement date | <u>138,706</u> | <u>-</u> |
| Total | <u>\$ 241,804</u> | <u>\$ 200,016</u> |

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions is reflected as an increase to unrestricted net position in the amount of \$41,788. \$138,706 reported as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30,

TOWN OF SANBORNTON, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| | |
|-----------------|--------------------|
| <u>June 30,</u> | |
| 2015 | \$ (27,628) |
| 2016 | (27,628) |
| 2017 | (27,628) |
| 2018 | (27,628) |
| 2019 | 13,594 |
| | <u>\$ (96,918)</u> |

Actuarial Assumptions

The total pension liability in the July 1, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---------------------------|---|
| Inflation | 3.0 percent |
| Wage inflation | 3.75 percent |
| Salary increases | 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 women for mortality improvements.

Retirement rates were based on a table of rates that are specific to the type of eligibility condition, last updated in 2011 pursuant to an experience study of the period 2005-2010.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of weighted average long-term expected real rates of return for each major asset class are summarized in the following table:

TOWN OF SANBORNTON, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Weighted Average Long-Term Expected Real Rate of Return (Net of inflation assumption of 3.0%)</u> |
|----------------------|--------------------------|--|
| Fixed income | 25% | (1.75)-2.0% |
| Domestic equity | 30% | 3.25% |
| International equity | 20% | 4.25-6.5% |
| Real estate | 10% | 3.25% |
| Private equity | 5% | 5.75% |
| Private debt | 5% | 5.0% |
| Opportunistic | 5% | 2.5% |
| Total | <u>100%</u> | |

Discount Rate

The discount rate used to measure the collective pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee 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. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of 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 collective pension liability.

Sensitivity of the Town's 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%, 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 greater or 1-percentage-point lower than the single discount rate:

| | <u>1% Increase (8.75%)</u> | <u>Current Discount Rate (7.75%)</u> | <u>1% Decrease (6.75%)</u> |
|---|--------------------------------|--|--------------------------------|
| Town's proportionate share of the net pension liability | \$ 1,144,947 | \$ 1,563,225 | \$ 2,059,022 |

NOTE 8—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town's long-term obligations for the year ended June 30, 2015 are as follows:

TOWN OF SANBORNTON, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

| | Balance <u>7/1/2014</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>6/30/2015</u> | Due Within <u>One Year</u> |
|--|----------------------------|------------------|----------------------|-----------------------------|-------------------------------|
| Governmental activities: | | | | | |
| Bonds payable | \$ 3,318,641 | | \$(1,153,130) | \$ 2,165,511 | \$ 1,004,221 |
| Capital leases payable | 112,092 | \$ 21,952 | (31,177) | 102,867 | 31,444 |
| Compensated absences | 138,604 | 39,555 | (29,655) | 148,504 | |
| Estimated liability for landfill postclosure care costs | <u>213,675</u> | | <u>(11,550)</u> | <u>202,125</u> | <u>11,550</u> |
| Total governmental activities | <u>\$ 3,783,012</u> | <u>\$ 61,507</u> | <u>\$(1,225,512)</u> | <u>\$ 2,619,007</u> | <u>\$ 1,047,215</u> |

Payments on the general obligation bonds, capital leases and estimated liability for landfill postclosure care costs of the governmental activities are paid out of the General Fund and the "Y" Capital Project Fund. Compensated absences will be paid from the fund where the employee's salary is paid.

General Obligation Bonds

Bonds payable at June 30, 2015 are comprised of the following individual issues:

| | Original Issue <u>Amount</u> | Interest <u>Rate</u> | Final Maturity <u>Date</u> | Balance at <u>6/30/2015</u> |
|-----------------------|------------------------------------|-------------------------|----------------------------------|-----------------------------------|
| Transition bond | \$ 950,000 | 3.300% | April 2018 | \$ 318,765 |
| Highway building bond | 1,100,000 | 3.875% | August 2020 | 710,100 |
| "Y" Project bond | 3,000,000 | 3.875% | August 2020 | 748,525 |
| Maple Circle bond | 918,280 | 1.700% | October 2023 | <u>388,121</u> |
| | | | | <u>\$ 2,165,511</u> |

Debt service requirements to retire general obligation bonds at June 30, 2015 are as follows:

| Year ending <u>June 30</u> | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|-------------------------------|---------------------|-------------------|---------------------|
| 2016 | \$ 1,004,221 | \$ 73,675 | \$ 1,077,896 |
| 2017 | 264,113 | 35,920 | 300,033 |
| 2018 | 272,929 | 27,104 | 300,033 |
| 2019 | 168,476 | 18,983 | 187,459 |
| 2020 | 174,024 | 13,436 | 187,460 |
| 2021-2023 | <u>281,748</u> | <u>10,310</u> | <u>292,058</u> |
| | <u>\$ 2,165,511</u> | <u>\$ 179,428</u> | <u>\$ 2,344,939</u> |

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function. The following are the individual capital lease obligations of the governmental activities at June 30, 2015:

TOWN OF SANBORNTON, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

| | |
|---|-------------------|
| Vehicle, due in annual installments of \$28,524, including interest at 2.85%, through November 2017 | \$ 80,915 |
| Vehicle, due in annual installments of \$5,944, including interest at 3.22%, through July 2018 | <u>21,952</u> |
| | <u>\$ 102,867</u> |

Debt service requirements to retire capital lease obligations outstanding for governmental activities at June 30, 2015 are as follows:

| Year Ending | <u>Principal</u> | <u>Interest</u> | <u>Totals</u> |
|-------------|-------------------|-----------------|-------------------|
| June 30, | | | |
| 2016 | \$ 31,444 | \$ 3,024 | \$ 34,468 |
| 2017 | 32,362 | 2,106 | 34,468 |
| 2018 | 33,306 | 1,161 | 34,467 |
| 2019 | 5,755 | 188 | 5,943 |
| | <u>\$ 102,867</u> | <u>\$ 6,479</u> | <u>\$ 109,346</u> |

NOTE 9—LANDFILL POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. During 2002, a final cover was placed on the landfill. An estimated liability has been recorded based on the future postclosure care costs that will be incurred after the date the landfill no longer accepts waste. The estimated liability for postclosure care costs has a balance of \$202,125 as of June 30, 2015. The estimated total current cost of the landfill postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of June 30, 2015. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The following is a summary of changes in the estimated liability for postclosure care costs for the year ended June 30, 2015:

| | |
|--|-------------------|
| Balance - July 1, 2014 | \$ 213,675 |
| Expenditures recognized in the General Fund | (6,880) |
| Net change in estimated liability for postclosure care costs | <u>(4,670)</u> |
| Balance - June 30, 2015 | <u>\$ 202,125</u> |

NOTE 10—INTERFUND BALANCES AND TRANSFERS

The Town has combined the cash resources of some of its governmental fund types. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at June 30, 2015 are as follows:

TOWN OF SANBORNTON, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

| | Due from | | Totals |
|--------------------------|-------------------|-----------------------------|-------------------|
| | General Fund | Nonmajor Governmental Funds | |
| General Fund | | \$ 540 | \$ 540 |
| "Y" Capital Project Fund | \$ 68,983 | | 68,983 |
| Proprietary Fund - Sewer | 42,788 | | 42,788 |
| | <u>\$ 111,771</u> | <u>\$ 540</u> | <u>\$ 112,311</u> |

During the year, several interfund transactions occurred between funds. The various transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended June 30, 2015 amounted to \$66,853 from the Nonmajor Governmental Funds to the General Fund.

NOTE 11—RESTRICTED NET POSITION

Net position is restricted for specific purposes as follows:

| | Governmental Activities |
|-----------------------------|-------------------------|
| Permanent funds - Principal | \$ 47,040 |
| Permanent funds - Income | 71,579 |
| Conservation donations | 5,925 |
| Drug Forfeiture funds | 423 |
| | <u>\$ 124,967</u> |

NOTE 12—COMPONENTS OF FUND BALANCE

The Town's fund balance components are comprised as follows:

| Fund Balances | General Fund | "Y" Capital Project Fund | Nonmajor Governmental Funds | Total Governmental Funds |
|-----------------------------|--------------|--------------------------|-----------------------------|--------------------------|
| Non-spendable: | | | | |
| Permanent Funds - Principal | | | \$ 47,040 | \$ 47,040 |
| Restricted for: | | | | |
| Conservation - Donations | | | 5,925 | 5,925 |
| Permanent Funds - Income | | | 71,579 | 71,579 |
| Drug Forfeiture Fund | 423 | | | 423 |
| Committed for: | | | | |
| Ambulance Fund | | | 197,156 | 197,156 |
| Capital Project Fund | | \$ 68,983 | | 68,983 |
| Conservation Commission | | | 123,420 | 123,420 |
| Recreation Fund | | | 19,541 | 19,541 |
| Cemetery Sales Fund | | | 6,656 | 6,656 |
| Capital Reserve Fund | 511,309 | | | 511,309 |

TOWN OF SANBORNTON, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
June 30, 2015

| | | | | |
|---------------------------------|---------------------|------------------|-------------------|---------------------|
| Police Special Detail Fund | | | 25,295 | 25,295 |
| Encumbrances | 3,164 | | | 3,164 |
| Assigned for: | | | | |
| Energy conservation Fund | 167 | | | 167 |
| Food Pantry Fund | 542 | | | 542 |
| Library Fund | 32,377 | | | 32,377 |
| Town Hall Restoration Fund | 4,690 | | | 4,690 |
| Unassigned: | | | | |
| Unassigned - General operations | 518,968 | | | 518,968 |
| | <u>\$ 1,071,640</u> | <u>\$ 68,983</u> | <u>\$ 496,612</u> | <u>\$ 1,637,235</u> |

NOTE 13—COMMITMENTS AND CONTINGENCIES

Litigation

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

NOTE 14—RESTATEMENT OF BEGINNING NET POSITION

During the year ended June 30, 2015, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 68 - *Accounting and Financial Reporting for Pensions*, as described in Note 1 of these financial statements. The impact on beginning net position is as follows:

| | |
|--|-----------------------------------|
| | Governmental <u>Activities</u> |
| Net Position - July 1, 2014 (as previously reported) | \$ 12,048,789 |
| Amount of restatement due to: | |
| Net Pension Liability (NPL) as of July 1, 2013 | (1,666,888) |
| Contributions subsequent to NPL measurement date | <u>135,110</u> |
| Net Position - July 1, 2014, as restated | <u>\$ 10,517,011</u> |

SCHEDULE 1
TOWN OF SANBORNTON, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended June 30, 2015

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget - Favorable (Unfavorable) |
|--|-------------------------|-------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | \$ 3,154,430 | \$ 3,154,430 | \$ 3,202,117 | \$ 47,687 |
| Licenses and permits | 574,685 | 574,685 | 640,947 | 66,262 |
| Intergovernmental | 366,384 | 366,384 | 331,321 | (35,063) |
| Charges for services | 76,503 | 76,503 | 87,635 | 11,132 |
| Interest income | | | 3,495 | 3,495 |
| Miscellaneous | 42,283 | 42,283 | 12,646 | (29,637) |
| Total Revenues | <u>4,214,285</u> | <u>4,214,285</u> | <u>4,278,161</u> | <u>63,876</u> |
| Expenditures: | | | | |
| Current operations: | | | | |
| General government | 1,145,289 | 1,145,289 | 1,116,744 | 28,545 |
| Public safety | 791,613 | 791,613 | 735,834 | 55,779 |
| Highways and streets | 772,346 | 772,346 | 769,440 | 2,906 |
| Health and welfare | 114,881 | 114,881 | 92,344 | 22,537 |
| Sanitation | 146,735 | 146,735 | 140,360 | 6,375 |
| Culture and recreation | 111,602 | 111,602 | 108,520 | 3,082 |
| Capital outlay | 622,000 | 622,000 | 597,954 | 24,046 |
| Debt service: | | | | |
| Principal retirement | 457,310 | 457,310 | 453,130 | 4,180 |
| Interest and fiscal charges | 117,429 | 117,429 | 121,608 | (4,179) |
| Total Expenditures | <u>4,279,205</u> | <u>4,279,205</u> | <u>4,135,934</u> | <u>143,271</u> |
| Excess revenues over (under) expenditures | <u>(64,920)</u> | <u>(64,920)</u> | <u>142,227</u> | <u>207,147</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 76,136 | 76,136 | 66,853 | (9,283) |
| Transfers out | <u>(325,392)</u> | <u>(325,392)</u> | <u>(325,392)</u> | <u>-</u> |
| Total other financing sources (uses) | <u>(249,256)</u> | <u>(249,256)</u> | <u>(258,539)</u> | <u>(9,283)</u> |
| Net change in fund balance | (314,176) | (314,176) | (116,312) | 197,864 |
| Fund balance at beginning of year | | | | |
| - Budgetary Basis | <u>835,380</u> | <u>835,380</u> | <u>835,380</u> | <u>-</u> |
| Fund balance at end of year | | | | |
| - Budgetary Basis | <u>\$ 521,204</u> | <u>\$ 521,204</u> | <u>\$ 719,068</u> | <u>\$ 197,864</u> |

See accompanying notes to the required supplementary information

SCHEDULE 2

TOWN OF SANBORNTON, NEW HAMPSHIRE

Schedule of Changes in the Town's Proportionate Share of the Net Pension Liability

For the Year Ended June 30, 2015

| | <u>2014</u> | <u>2013</u> |
|---|--------------|--------------|
| Town's proportion of the net pension liability (asset) | 0.0416% | 0.0387% |
| Town's proportionate share of the net pension liability (asset) | \$ 1,563,225 | \$ 1,666,888 |
| Town's covered-employee payroll | \$ 876,727 | \$ 803,059 |
| Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 178.30% | 207.57% |
| Plan fiduciary net position as a percentage of the total pension liability | 66.32% | 59.81% |

See accompanying notes to the required supplementary information

SCHEDULE 3
TOWN OF SANBORNTON, NEW HAMPSHIRE
Schedule of Town Contributions
For the Year Ended June 30, 2015

| | <u>2014</u> | <u>2013</u> |
|--|------------------|-----------------|
| Contractually required contribution | \$ 135,110 | \$ 96,305 |
| Contributions in relation to the contractually required contribution | <u>(135,110)</u> | <u>(96,305)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> |
| Town's covered-employee payroll | \$ 876,727 | \$ 803,059 |
| Contributions as a percentage of covered-employee payroll | 15.41% | 11.99% |

See accompanying notes to the required supplementary information

TOWN OF SANBORNTON, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the Town. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. General Fund budgetary revenues and other financing sources and expenditures and other financing uses were adjusted for encumbrances, capital leases, non-budgetary activity, and budgetary transfers out.

| | Revenues and Other Financing <u>Sources</u> | Expenditures and Other Financing <u>Uses</u> |
|---|--|---|
| Per Exhibit D | \$ 4,372,251 | \$ 4,302,450 |
| Difference in property taxes meeting susceptible to accrual criteria | 1,424 | |
| Encumbrances, June 30, 2014 | | (3,164) |
| Encumbrances, June 30, 2015 | | 3,164 |
| Capital lease activity | (21,952) | (21,952) |
| Non-budgetary activity | (6,709) | (144,564) |
| Budgetary transfers out | | 325,392 |
| Per Schedule 1 | <u>\$ 4,345,014</u> | <u>\$ 4,461,326</u> |

NOTE 2—GENERAL FUND BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at June 30, 2015 are as follows:

| | |
|---------------------------------|-------------------|
| <i>Unassigned:</i> | |
| Unassigned - General operations | <u>\$ 719,068</u> |

NOTE 3—SCHEDULE OF CHANGES IN THE TOWN’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF TOWN CONTRIBUTIONS

In accordance with GASB Statement #68, *Accounting and Financial Reporting for Pensions*, the Town is required to disclose historical information for each of the prior ten years within a schedule of changes in the Town’s proportionate share of the net pension liability, and schedule of Town contributions. The Town implemented the provisions of GASB Statement #68 during the year ended June 30, 2015. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as the information becomes available.

SCHEDULE A
TOWN OF SANBORNTON, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
June 30, 2015

| | Special Revenue <u>Funds</u> | Permanent <u>Funds</u> | Combining <u>Totals</u> |
|--|------------------------------------|---------------------------|----------------------------|
| ASSETS | | | |
| Cash and cash equivalents | \$ 371,085 | | \$ 371,085 |
| Investments | | \$ 118,619 | 118,619 |
| Accounts receivable, net | <u>22,962</u> | | <u>22,962</u> |
| Total Assets | <u>394,047</u> | <u>118,619</u> | <u>512,666</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Total Deferred Outflows of Resources | | | |
| Total Assets and Deferred Outflows of Resources | <u>\$ 394,047</u> | <u>\$ 118,619</u> | <u>\$ 512,666</u> |
| LIABILITIES | | | |
| Due to other funds | \$ 540 | | \$ 540 |
| Unearned recreation revenue | <u>15,514</u> | | <u>15,514</u> |
| Total Liabilities | <u>16,054</u> | <u>\$ -</u> | <u>16,054</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Total Deferred Inflows of Resources | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCES | | | |
| Nonspendable | | 47,040 | 47,040 |
| Restricted | 5,925 | 71,579 | 77,504 |
| Committed | <u>372,068</u> | | <u>372,068</u> |
| Total Fund Balances | <u>377,993</u> | <u>118,619</u> | <u>496,612</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 394,047</u> | <u>\$ 118,619</u> | <u>\$ 512,666</u> |

SCHEDULE A-1
TOWN OF SANBORNTON, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
June 30, 2015

| | <u>Ambulance Fund</u> | <u>Conservation Commission</u> | <u>Recreation Fund</u> | <u>Cemetery Sales Fund</u> | <u>Police Special Detail Fund</u> | <u>Combining Totals</u> |
|--|---------------------------|------------------------------------|----------------------------|------------------------------------|---|-----------------------------|
| ASSETS | | | | | | |
| Cash and cash equivalents | \$ 175,874 | \$ 129,345 | \$ 35,055 | \$ 6,656 | \$ 24,155 | \$ 371,085 |
| Accounts receivable, net | 21,282 | | | | 1,680 | 22,962 |
| Total Assets | <u>197,156</u> | <u>129,345</u> | <u>35,055</u> | <u>6,656</u> | <u>25,835</u> | <u>394,047</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | |
| Total Deferred Outflows of Resources | _____ | _____ | _____ | _____ | _____ | _____ |
| Total Assets and Deferred Outflows of Resources | <u>\$ 197,156</u> | <u>\$ 129,345</u> | <u>\$ 35,055</u> | <u>\$ 6,656</u> | <u>\$ 25,835</u> | <u>\$ 394,047</u> |
| LIABILITIES | | | | | | |
| Due to other funds | | | | | \$ 540 | \$ 540 |
| Unearned recreation revenue | | | \$ 15,514 | | | 15,514 |
| Total Liabilities | <u>\$ -</u> | <u>\$ -</u> | <u>15,514</u> | <u>\$ -</u> | <u>540</u> | <u>16,054</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Total Deferred Inflows of Resources | _____ | _____ | _____ | _____ | _____ | _____ |
| FUND BALANCES | | | | | | |
| Restricted | | 5,925 | | | | 5,925 |
| Committed | 197,156 | 123,420 | 19,541 | 6,656 | 25,295 | 372,068 |
| Total Fund Balances | <u>197,156</u> | <u>129,345</u> | <u>19,541</u> | <u>6,656</u> | <u>25,295</u> | <u>377,993</u> |
| Total Liabilities, Deferred Inflows of Resources, and Fund Balances | <u>\$ 197,156</u> | <u>\$ 129,345</u> | <u>\$ 35,055</u> | <u>\$ 6,656</u> | <u>\$ 25,835</u> | <u>\$ 394,047</u> |

SCHEDULE B
TOWN OF SANBORNTON, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Funds
For the Year Ended June 30, 2015

| | Special Revenue <u>Funds</u> | Permanent <u>Funds</u> | Combining <u>Totals</u> |
|--------------------------------------|------------------------------------|---------------------------|----------------------------|
| Revenues: | | | |
| Taxes | \$ 5,000 | | \$ 5,000 |
| Charges for services | 140,208 | | 140,208 |
| Investment income | 514 | \$ 995 | 1,509 |
| Miscellaneous | <u>3,300</u> | | <u>3,300</u> |
| Total Revenues | <u>149,022</u> | <u>995</u> | <u>150,017</u> |
| Expenditures: | | | |
| Current operations: | | | |
| Public safety | 12,009 | | 12,009 |
| Culture and recreation | 8,333 | | 8,333 |
| Capital outlay | <u>12,154</u> | | <u>12,154</u> |
| Total Expenditures | <u>32,496</u> | <u>-</u> | <u>32,496</u> |
| Excess of revenues over expenditures | <u>116,526</u> | <u>995</u> | <u>117,521</u> |
| Other financing (uses): | | | |
| Transfers out | <u>(66,853)</u> | | <u>(66,853)</u> |
| Total other financing (uses) | <u>(66,853)</u> | <u>-</u> | <u>(66,853)</u> |
| Net change in fund balances | 49,673 | 995 | 50,668 |
| Fund balances at beginning of year | <u>328,320</u> | <u>117,624</u> | <u>445,944</u> |
| Fund balances at end of year | <u>\$ 377,993</u> | <u>\$ 118,619</u> | <u>\$ 496,612</u> |

SCHEDULE B-1
TOWN OF SANBORNTON, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Special Revenue Funds
For the Year Ended June 30, 2015

| | Ambulance Fund | Conservation Commission | Recreation Fund | Cemetery Sales Fund | Police Special Detail Fund | Combining Totals |
|---|-------------------|----------------------------|--------------------|---------------------------|----------------------------------|---------------------|
| Revenues: | | | | | | |
| Taxes | | \$ 5,000 | | | | \$ 5,000 |
| Charges for services | \$ 53,003 | | \$ 70,255 | | \$ 16,950 | 140,208 |
| Investment income | 261 | 186 | 57 | \$ 7 | 3 | 514 |
| Miscellaneous | | | | 3,300 | | 3,300 |
| Total Revenues | <u>53,264</u> | <u>5,186</u> | <u>70,312</u> | <u>3,307</u> | <u>16,953</u> | <u>149,022</u> |
| Expenditures: | | | | | | |
| Current operations: | | | | | | |
| Public safety | | | | | 12,009 | 12,009 |
| Culture and recreation | | 2,518 | 5,815 | | | 8,333 |
| Capital outlay | | | | | 12,154 | 12,154 |
| Total Expenditures | <u>-</u> | <u>2,518</u> | <u>5,815</u> | <u>-</u> | <u>24,163</u> | <u>32,496</u> |
| Excess of revenues over (under) expenditures | <u>53,264</u> | <u>2,668</u> | <u>64,497</u> | <u>3,307</u> | <u>(7,210)</u> | <u>116,526</u> |
| Other financing (uses): | | | | | | |
| Transfers out | (13,407) | | (53,446) | | | (66,853) |
| Total other financing (uses) | <u>(13,407)</u> | <u>-</u> | <u>(53,446)</u> | <u>-</u> | <u>-</u> | <u>(66,853)</u> |
| Net change in fund balances | 39,857 | 2,668 | 11,051 | 3,307 | (7,210) | 49,673 |
| Fund balances at beginning of year | <u>157,299</u> | <u>126,677</u> | <u>8,490</u> | <u>3,349</u> | <u>32,505</u> | <u>328,320</u> |
| Fund balances at end of year | <u>\$ 197,156</u> | <u>\$ 129,345</u> | <u>\$ 19,541</u> | <u>\$ 6,656</u> | <u>\$ 25,295</u> | <u>\$ 377,993</u> |