

**TOWN OF HOLDERNESS,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015**

TOWN OF HOLDERNESS, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS.....	3 - 9

BASIC FINANCIAL STATEMENTS

Government-wide Financial Statements	
A Statement of Net Position	10
B Statement of Activities	11
Fund Financial Statements	
<i>Governmental Funds</i>	
C-1 Balance Sheet	12
C-2 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position.....	13
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	14
C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
<i>Budgetary Comparison Information</i>	
D Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	16
<i>Fiduciary Funds</i>	
E Statement of Net Position	17
NOTES TO THE BASIC FINANCIAL STATEMENTS	18 - 34

REQUIRED SUPPLEMENTARY INFORMATION

F Schedule of the Town's Proportionate Share of Net Pension Liability	35
G Schedule of Town Contributions	36
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION	37

COMBINING AND INDIVIDUAL FUND SCHEDULES

Governmental Funds	
<i>Major General Fund</i>	
1 Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	38
2 Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)	39 - 40
3 Schedule of Changes in Unassigned Fund Balance.....	41
<i>Nonmajor Governmental Funds</i>	
4 Combining Balance Sheet	42
5 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	43



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX 603-224-1380

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Holderness
Holderness, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Town of Holderness 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 of 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 adverse and unmodified audit opinions.

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 18 to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits in the governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, decrease the net position and increase the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities is not readily 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 government-wide financial statements of the Town of Holderness, as of June 30, 2015, or the changes in financial position thereof for the year then ended.

Town of Holderness
Independent Auditor's Report

Unmodified Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and aggregate remaining fund information of the Town of Holderness as of June 30, 2015, the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1-P to the financial statements, in 2015 the Town changed its method for accounting for pension reporting with the adoption of Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3 through 9), the Schedule of Town's Proportionate Share of Net Pension Liability (page 35) and the Schedule of Town Contributions (page 36) 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.

Other Information - Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Holderness' basic financial statements. The combining and individual fund financial schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial schedules 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 and individual fund financial schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

January 28, 2016

Plodzik & Sanderson
Professional Association

TOWN OF HOLDERNESS, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2015

Presented herewith please find the Management Discussion & Analysis Report for the Town of Holderness for the year ending June 30, 2015. The responsibility for accuracy of the data, the completeness, and fairness of this documentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. 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 in acquiring an accurate understanding of the Town's financial activities have been included.

The Town's management is responsible for establishing accounting and internal control structures designed to ensure that the physical, data, information, intellectual, and human resource assets of the Town are protected from loss, theft, and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the Town of Holderness using the integrated approach as prescribed by GASB Statement No. 34.

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

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements
4. Required supplementary information

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 and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent fiscal year. All of the current year's revenue and expenses are taken into account regardless of when cash is received or paid.

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. The Town uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. The Town maintains two fund types: governmental and fiduciary funds.

TOWN OF HOLDERNESS, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2015

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, our readers may better understand the long-term impact of the government's near-term financing decisions. 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 reports four 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, and the combined three non-major funds (Police detail, recreation revolving and permanent funds).

The Town adopts an annual appropriation budget for its governmental funds. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget, see Exhibit D of the financial statements.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs.

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. They can be found at pages 18 to 34.

TOWN OF HOLDERNESS, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2015

Government-wide Financial Analysis

Statement of Net Position

Net position of the Town of Holderness as of June 30, 2015 and 2014 are as follows:

Summary of Net Position
Governmental Activities

	<u>2015</u>	<u>2014</u> <u>(As Restated)</u>	<u>Increase</u> <u>(Decrease)</u>
Current Assets	\$ 7,279,726	\$ 6,953,079	\$ 326,647
Capital Assets	4,438,888	4,566,698	(127,810)
Total Assets	<u>11,718,614</u>	<u>11,519,777</u>	<u>198,837</u>
Deferred Outflows of Resources	<u>111,076</u>	<u>100,439</u>	<u>10,637</u>
Current Liabilities	3,903,294	3,963,696	(60,402)
Noncurrent Liabilities	1,444,580	326,460	1,118,120
Total Liabilities	<u>5,347,874</u>	<u>4,290,156</u>	<u>1,057,718</u>
Deferred Inflows of Resources	<u>1,154,934</u>	<u>2,358,568</u>	<u>(1,203,634)</u>
Net Investment in Capital Assets	4,205,220	4,245,364	(40,144)
Restricted Net Position	14,045	14,045	-
Unrestricted Net Position	1,107,617	712,083	395,534
Total Net Position	<u>\$ 5,326,882</u>	<u>\$ 4,971,492</u>	<u>\$ 355,390</u>

Note: The Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, during fiscal year 2015, which requires the School District to report their proportionate share of the New Hampshire Retirement System's net pension liability based upon their plan contributions for the year. The New Hampshire Retirement System has a statutory funding schedule whose goal is to reach 100% plan funding by June 30, 2039.

TOWN OF HOLDERNESS, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2015

Statement of Activities

Changes in net position for the year ending June 30, 2015 and 2014 are as follows:

Summary of Changes in Net Position
Governmental Activities

	<u>2015</u>	<u>2014</u> <u>(As Restated)</u>	<u>Difference</u>
Revenues:			
Program Revenue:			
Charges for Services	\$ 203,966	\$ 158,635	\$ 45,331
Operating Grants and Contributions	62,845	62,223	622
Capital Grants and Contributions	-	163,316	(163,316)
Total Program Revenue	<u>266,811</u>	<u>384,174</u>	<u>(117,363)</u>
General Revenue:			
Taxes	1,923,088	1,966,108	(43,020)
Licenses & Permits	461,889	429,727	32,162
Unrestricted Grants & Contributions	101,445	93,739	7,706
Unrestricted Investment Earnings	16,771	18,657	
Miscellaneous	38,054	62,198	(24,144)
Total General Revenue	<u>2,541,247</u>	<u>2,570,429</u>	<u>(27,296)</u>
Total Revenues	<u>2,808,058</u>	<u>2,954,603</u>	<u>(146,545)</u>
Expenses:			
General Government	\$ 748,355	\$ 713,185	\$ 35,170
Public Safety	772,641	728,562	44,079
Highways & Streets	483,277	476,036	7,241
Sanitation	179,565	162,424	17,141
Health	31,500	44,973	(13,473)
Welfare	6,239	12,522	(6,283)
Culture & Recreation	186,403	161,002	25,401
Conservation	1,760	863	897
Interest	4,911	6,655	(1,744)
Capital Outlay	107,034	165,710	(58,676)
Total Expenses	<u>2,521,685</u>	<u>2,471,932</u>	<u>49,753</u>
Change in Net Position	286,373	482,671	(196,298)
Net Positon, beginning, as restated	5,040,509	4,557,838	482,671
Net Position, ending	<u>\$ 5,326,882</u>	<u>\$ 5,040,509</u>	<u>\$ 286,373</u>

TOWN OF HOLDERNESS, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2015

Town of Holderness Activities

As shown in the above statement the Town experienced an increase in financial position of \$286,373 on the full accrual basis of accounting. This increase is primarily due to revenues that exceeded original estimates and operating expenditures that were less than anticipated.

The General fund shows total fund balance of \$2,297,513 this is an increase of \$325,252 from the prior year and is attributed to increased revenues and decreased operating expenses combined with a reduction in debt service attributed to increased funding through capital reserves.

General Fund Budgetary Highlights

In the current reporting year, the Town's general fund had a favorable variance in estimated governmental activity revenues versus actual in the amount of \$202,576, with some of that increase attributed to a greater than anticipated amount of revenue received from property tax (\$13,726); yield tax (\$20,717); interest collected on taxes (\$16,404), and motor vehicle permits (\$86,038).

The Town's general fund had a favorable variance in appropriations versus actual expenditures in the amount of \$80,476. The majority of this budgetary under-expenditure can be found in the general government, welfare, and culture and recreation functions. Some of these savings can be attributed to the following:

- A savings of \$17,278 in revaluation of property is due to careful management of our assessors use of time.
- A savings of \$18,525 in personnel administration is due to decreased health insurance costs.
- A savings of \$18,761 in welfare is due to services that were below our original estimates.
- In culture and recreation there was a savings of \$23,599 is due to reduced operating costs for the year.

Capital Assets

The Town of Holderness considers a capital asset to be an asset whose costs exceed or equal \$10,000 and has useful life of greater than one year. Assets are depreciated using the straight-line method over the course of their useful life. During the year the Town put into service \$153,002 and did not retire any capital assets in the current year.

A capital replacement and maintenance plan has been established for all town departments and is reviewed and adjusted annually as necessary. The plan is utilized in two ways; 1. To adequately evaluate the replacement needs on a town wide basis in order to not "overload" any one year with multiple purchases, 2. To adequately fund reserve accounts for capital purchases and/or determine future debt needs if reserves are not sufficient for all purchases. One of management's priorities is to limit borrowing whenever possible by annually funding capital reserve accounts. The Board is now considering accelerating some larger capital purchases that require financing to FY 15 and FY 16 in order to take advantage of historically low interest rates. Increases in annual capital reserve fund contributions will also be necessary in order to keep on par with rising equipment and material prices.

TOWN OF HOLDERNESS, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2015

A capital replacements and maintenance plan has been established for all town departments and is reviewed and adjusted annually as necessary. The plan is utilized in two ways; 1. To adequately evaluate the replacement needs on a town wide basis in order to not "overload" any on year with multiple purchases, 2. To adequately fund reserve accounts for capital purchases and/or determine future debt needs if reserves are not sufficient for all purchases. One of management's priorities is to limit borrowing whenever possible by annually funding capital reserve accounts. Increases in annual capital reserve fund contributions will also be necessary in order to keep on par with rising equipment and material prices.

The capital asset activity for the year ended June 30, 2015 is as follows:

Capital Assets at Year End Governmental Activities			
	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>
Land	\$ 1,296,888	\$ 1,296,888	\$ -
Land Improvements	154,422	154,422	-
Buildings & Improvements	1,648,986	1,648,986	-
Machinery, Equipment & Vehicles	2,012,026	1,978,026	34,000
Infrastructure	1,747,804	1,628,802	119,002
Totals at Historical Cost	<u>6,860,126</u>	<u>6,707,124</u>	<u>153,002</u>
Less: Accumulated Depreciation	<u>(2,421,238)</u>	<u>(2,140,426)</u>	<u>(280,812)</u>
Total Net Capital Assets	<u>\$ 4,438,888</u>	<u>\$ 4,566,698</u>	<u>\$ (127,810)</u>

Long-Term Obligations

A schedule of outstanding debt is presented below:

Long-Term Debt Outstanding at Year End Governmental Activities			
	<u>June 30, 2015</u>	<u>June 30, 2014</u>	<u>Increase (Decrease)</u>
General Obligation Bond Payable	\$ 175,001	\$ 321,334	\$ (146,333)
Capital Lease Payable	58,667	-	58,667
Compensated Absences Payable	48,831	5,126	43,705
Net Pension Liability	1,162,082	1,390,339	(228,257)
Total Long-Term Debt Outstanding	<u>\$ 1,444,581</u>	<u>\$ 1,716,799</u>	<u>\$ (272,218)</u>

One of management's priorities is to limit borrowing whenever possible by annually funding capital reserve accounts. This will result in the retirement of the remaining outstanding long term debt by the end of fiscal year 2017-2018 if there is no additional borrowing initiated.

TOWN OF HOLDERNESS, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ending June 30, 2015

Economic Factors

The Town's management philosophy regarding the development and expenditure of the operations and capital budgets has been modified some compared to the past several years which is now a combination of zero base and value based budget building while continuing to fund current operations to a level that, at a minimum, maintains the town's operations at the previous year's level and, when at all possible, improve operations going forward in a positive direction

Management's concerns for the future include:

- The effect of the continuing slow recovering economy on Holderness's property values. Key to below average tax rates in Holderness is the significant value of lake front property. Although the poor economy's impact on Squam Lake waterfront properties continues to be minimal to date compared to other vacation property, communities in New Hampshire, if that were to change then a significant change in the town financial management would have to occur including reducing town services and possibly work staff as well.
- Reducing energy use and conservation has and will continue to be a priority for management. Over the past few years many energy conservation improvements have been made to several town buildings. These efforts will continue in the future as methods and opportunities allow.
- State reduction in services and funding is a major concern in the short and long term as reduced state services puts additional burdens on local government to provide for those who are in need and reduced state funding directly effects the town's bottom line.
- Education funding is another very important concern for management as the cost of education continues to rise at an average rate of 4-5% per year. The return of "donor towns" is an issue that comes and goes each year and until some permanent change is made to eliminate the possibility completely we will remain concerned.
- Health care and retirement benefits continue to have significant impacts on operating budgets. Employer retirement rates and health insurance premiums continue to rise significantly each year. Management has taken an aggressive approach to minimize the impact of major increases in health insurance rates by including some "self insurance" in our employee benefit program. Health insurance rates in FY13 increased significantly and a 16% premium increase was added for the FY14 operating budget.

Contacting the Town of Holderness'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 203, Holderness, NH 03245, telephone number 603-968-3537.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 3,468,727
Investments	1,031,025
Taxes receivables (net)	2,754,516
Accounts receivable	2,558
Prepaid items	22,900
Capital assets:	
Land and construction in progress	1,296,888
Other capital assets, net of depreciation	3,142,000
Total assets	<u>11,718,614</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	<u>111,076</u>
LIABILITIES	
Accounts payable	792
Accrued salaries and benefits	34,001
Accrued interest payable	4,777
Intergovernmental payable	3,863,724
Long-term liabilities:	
Due within one year	87,666
Due in more than one year	194,832
Net pension liability	1,162,082
Total liabilities	<u>5,347,874</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	934,234
Unavailable revenue - donations	24,421
Related to pensions	196,279
Total deferred inflows of resources	<u>1,154,934</u>
NET POSITION	
Net investment in capital assets	4,205,220
Restricted	14,045
Unrestricted	1,107,617
Total net position	<u>\$ 5,326,882</u>

The notes to the basic financial statements are an integral part of this statement.

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

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
		for	Grants and	Change In
	Expenses	Services	Contributions	Net Position
General government	\$ 748,355	\$ 6,493	\$ -	\$ (741,862)
Public safety	772,641	101,847	-	(670,794)
Highways and streets	483,277	-	62,845	(420,432)
Sanitation	179,565	49,432	-	(130,133)
Health	31,500	-	-	(31,500)
Welfare	6,239	-	-	(6,239)
Culture and recreation	186,403	46,194	-	(140,209)
Conservation	1,760	-	-	(1,760)
Interest on long-term debt	4,911	-	-	(4,911)
Capital outlay	107,034	-	-	(107,034)
Total governmental activities	<u>\$ 2,521,685</u>	<u>\$ 203,966</u>	<u>\$ 62,845</u>	<u>(2,254,874)</u>
General revenues:				
Taxes:				
Property				1,829,527
Other				93,561
Motor vehicle permit fees				431,038
Licenses and other fees				30,851
Grants and contributions not restricted to specific programs				101,445
Unrestricted investment earnings				16,771
Miscellaneous				<u>38,054</u>
Total general revenues				<u>2,541,247</u>
Change in net position				<u>286,373</u>
Net position, beginning, as restated (see Note 16)				<u>5,040,509</u>
Net position, ending				<u>\$ 5,326,882</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-1
TOWN OF HOLDERNESS, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,410,729	\$ 57,015	\$ 3,467,744
Investments	262,848	14,045	276,893
Accounts receivable	-	2,558	2,558
Taxes receivable	2,756,516	-	2,756,516
Voluntary tax liens	14,351	-	14,351
Voluntary tax liens reserved until collected	(14,351)	-	(14,351)
Prepaid items	22,900	-	22,900
Restricted assets:			
Cash and cash equivalents	983	-	983
Investments	754,132	-	754,132
Total assets	<u>\$ 7,208,108</u>	<u>\$ 73,618</u>	<u>\$ 7,281,726</u>
LIABILITIES			
Accounts payable	\$ 792	\$ -	\$ 792
Accrued salaries and benefits	34,001	-	34,001
Intergovernmental payable	3,863,724	-	3,863,724
Total liabilities	<u>3,898,517</u>	<u>-</u>	<u>3,898,517</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	987,657	-	987,657
Unavailable revenue - Donations	24,421	-	24,421
Total deferred inflows of resources	<u>1,012,078</u>	<u>-</u>	<u>1,012,078</u>
FUND BALANCES			
Nonspendable	22,900	4,750	27,650
Restricted	-	9,295	9,295
Committed	755,115	59,573	814,688
Assigned	48,490	-	48,490
Unassigned	1,471,008	-	1,471,008
Total fund balances	<u>2,297,513</u>	<u>73,618</u>	<u>2,371,131</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,208,108</u>	<u>\$ 73,618</u>	<u>\$ 7,281,726</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-2
TOWN OF HOLDERNESS, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
June 30, 2015

Total fund balances of governmental funds (Exhibit C-1)		\$ 2,371,131
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 6,860,126	
Less accumulated depreciation	<u>(2,421,238)</u>	
		4,438,888
Certain items are not current financial resources in the governmental funds, but instead are reported in the Statement of Net Position.		
Deferred outflows of resources related to pensions	\$ 111,076	
Deferred inflows of resources related to pensions	<u>(196,279)</u>	
		(85,203)
Property taxes not collected within 60 days of fiscal year-end are not available to pay current period expenditures, and therefore are deferred in the funds.		
Deferred property taxes	\$ 53,424	
Allowance for uncollectible taxes	<u>(2,000)</u>	
		51,424
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(4,777)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ 175,001	
Notes	58,667	
Compensated absences	48,831	
Net pension liability	<u>1,162,082</u>	
		<u>(1,444,581)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 5,326,882</u></u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-3
TOWN OF HOLDERNESS, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2015

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 1,931,411	\$ -	\$ 1,931,411
Licenses and permits	467,785	-	467,785
Intergovernmental	164,290	-	164,290
Charges for services	154,873	49,093	203,966
Miscellaneous	54,825	-	54,825
Total revenues	<u>2,773,184</u>	<u>49,093</u>	<u>2,822,277</u>
EXPENDITURES			
Current:			
General government	759,917	-	759,917
Public safety	657,019	23,080	680,099
Highways and streets	299,898	-	299,898
Sanitation	167,066	-	167,066
Health	31,500	-	31,500
Welfare	6,239	-	6,239
Culture and recreation	170,171	11,188	181,359
Conservation	1,760	-	1,760
Debt service:			
Principal	87,666	-	87,666
Interest	6,660	-	6,660
Capital outlay	260,036	-	260,036
Total expenditures	<u>2,447,932</u>	<u>34,268</u>	<u>2,482,200</u>
Net change in fund balances	325,252	14,825	340,077
Fund balances, beginning, as restated (see Note 16)	1,972,261	58,793	2,031,054
Fund balances, ending	<u>\$ 2,297,513</u>	<u>\$ 73,618</u>	<u>\$ 2,371,131</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-4
TOWN OF HOLDERNESS, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended June 30, 2015

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 340,077
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. 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 capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 153,002	
Depreciation expense	<u>(280,812)</u>	
		(127,810)
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions are reported as pension expenses.		
Contributions subsequent to the measurement date	\$ 111,076	
Net pension expense	<u>(68,461)</u>	
		42,615
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue	\$ (12,219)	
Change in allowance for uncollectible taxes	<u>(2,000)</u>	
		(14,219)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Principal repayment of bond	\$ 58,333	
Principal repayment of capital lease	<u>29,333</u>	
		87,666
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 1,749	
Increase in compensated absences payable	<u>(43,705)</u>	
		(41,956)
Changes in net position of governmental activities (Exhibit B)		<u>\$ 286,373</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT D
TOWN OF HOLDERNESS, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended June 30, 2015

	Budgeted Amounts Original and Final	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 1,860,801	\$ 1,917,192	\$ 56,391
Licenses and permits	373,500	467,785	94,285
Intergovernmental	163,711	164,290	579
Charges for services	111,488	154,873	43,385
Miscellaneous	46,700	54,636	7,936
Total revenues	<u>2,556,200</u>	<u>2,758,776</u>	<u>202,576</u>
EXPENDITURES			
Current:			
General government	793,780	752,193	41,587
Public safety	668,202	664,124	4,078
Highways and streets	305,200	301,744	3,456
Sanitation	169,800	167,066	2,734
Health	31,500	31,500	-
Welfare	25,000	6,239	18,761
Culture and recreation	193,770	170,171	23,599
Conservation	3,500	1,760	1,740
Debt service:			
Principal	87,667	87,666	1
Interest	5,281	6,660	(1,379)
Capital outlay	253,835	267,936	(14,101)
Total expenditures	<u>2,537,535</u>	<u>2,457,059</u>	<u>80,476</u>
Excess of revenues over expenditures	<u>18,665</u>	<u>301,717</u>	<u>283,052</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	243,000	235,442	(7,558)
Transfers out	(382,500)	(382,500)	-
Total other financing sources (uses)	<u>(139,500)</u>	<u>(147,058)</u>	<u>(7,558)</u>
Net change in fund balances	<u>\$ (120,835)</u>	154,659	<u>\$ 275,494</u>
Increase in nonspendable fund balance		(22,900)	
Decrease in committed fund balance		10,835	
Unassigned fund balance, beginning, as restated (see Note 16)		1,379,837	
Unassigned fund balance, ending		<u>\$ 1,522,431</u>	

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E
TOWN OF HOLDERNESS, NEW HAMPSHIRE
Fiduciary Fund
Statement of Net Position
June 30, 2015

	<u>Agency</u>
ASSETS	
Investments	\$ 398,172
LIABILITIES	
Intergovernmental payable	<u>398,172</u>
NET POSITION	<u>\$ -</u>

The notes to the basic financial statements are an integral part of this statement.

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

	<u>NOTE</u>
Summary of Significant Accounting Policies	1
Reporting Entity	1-A
Government-wide and Fund Financial Statements	1-B
Measurement Focus, Basis of Accounting, and Financial Statement Presentation.....	1-C
Cash and Cash Equivalents.....	1-D
Restricted Assets.....	1-E
Investments.....	1-F
Receivables.....	1-G
Prepaid Items.....	1-H
Capital Assets	1-I
Deferred Outflows/Inflows of Resources	1-J
Property Taxes.....	1-K
Compensated Absences	1-L
Long-term Obligations	1-M
Claims and Judgments	1-N
Net Position/Fund Balance Reporting	1-O
Defined Benefit Pension Plan	1-P
Stewardship, Compliance, and Accountability	2
Budgetary Information.....	2-A
Budgetary Reconciliation to GAAP Basis	2-B
Change in Accounting Principle	2-C

DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents	3
Investments	4
Restricted Cash and Investments.....	5
Taxes Receivable	6
Other Receivables.....	7
Capital Assets.....	8
Intergovernmental Payables.....	9
Deferred Outflows/Inflows of Resources	10
Capital Lease Obligations	11
Long-term Liabilities	12
Encumbrances	13
Governmental Activities Net Position.....	14
Governmental Fund Balances	15
Prior Period Adjustments.....	16
Defined Benefit Pension Plan	17
Other Postemployment Benefits (OPEB)	18
Risk Management.....	19
Contingencies.....	20
Subsequent Events.....	21

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Holderness, New Hampshire (the Town), have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Holderness is a municipal corporation governed by an elected 5-member Board of Selectmen. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

1-B Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements.

The Statement of Net Position presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, with the exception of long term costs of retirement, health care, and obligations for other postemployment benefits have also been omitted because the liability and expense have not been determined.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. As in the Statement of Net Position mentioned above, the Town has not recorded other postemployment benefit expense in this statement.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major general fund is reported as a separate column in the fund financial statements.

Government resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for State shared revenue, reimbursement-based grants and interest which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

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 year in which the resources are measurable and become available.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlement, and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the tax is levied. Revenue from grants, entitlements, and donations is recognized in the 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 year when use is first permitted, matching requirements, in which the Town must provide local resources to be used for a specific 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.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect reported amounts of assets, deferred inflows/outflows, and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The Town reports the following major governmental fund:

General Fund – all general revenues and other receipts that are not allocated by law or contracted agreement to another fund are accounted for in this fund. This fund accounts for general operating expenditures, fixed charges, and capital improvement costs that are not reported in other funds.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Additionally, the Town reports the following fund types:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Permanent Fund - is used to record activity of legal trusts for which the interest on the corpus provides funds for the Town's cemetery operations.

Fiduciary Funds – The Town also reports the following fiduciary funds:

Agency Fund - used to account for assets held in a trustee or agency capacity on behalf of outside parties, including other governments.

1-D Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents."

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-E Restricted Assets

Certain cash and investment balances classified as restricted assets on the balance sheet because their use is designated for a specific purpose and therefore not available for immediate and general use by the Town.

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

1-F Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Investments for the Town are reported at fair value generally based on quoted market prices.

1-G Receivables

Receivables recorded in the financial statements represent amounts due to the Town at June 30. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-H Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, and expenses as the items are used.

1-I Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental column in the government-wide financial statements.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$10,000 and an estimated minimum useful life in excess of one year. As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

Land and construction in progress are not depreciated. The other property, plant, and equipment of the Town are depreciated using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Capital Asset Classes:	
Land improvements	15-30
Buildings and building improvements	15-40
Infrastructure	10-40
Machinery, equipment, and vehicles	5-25
Software	5

In the fund financial statements, capital assets used in governmental fund operations are accounted for primarily as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized and related depreciation is not reported in the fund financial statements.

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

1-J Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenses/expenditure) until then.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1-K Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on June 1 and November 20, and due on July 8 and December 29. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Holderness School District, Pemi-Baker Regional School District, and Grafton County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2015 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 655,384,501
For all other taxes	\$ 671,107,054

The tax rates and amounts assessed for the year ended June 30, 2015 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$ 2.80	\$ 1,876,411
School portion:		
State of New Hampshire	2.79	1,829,690
Local	6.98	4,686,589
County portion	1.81	1,213,964
Total	<u>\$ 14.38</u>	<u>\$ 9,606,654</u>

1-L Compensated Absences

The Town's policy allows certain employees to earn varying amounts of vacation based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by personnel policy. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

1-M Long-term Obligations

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

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

1-N Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred.

1-O Net Position/Fund Balance Reporting

Government-wide Statements – Equity is classified as net position and displayed in three components:

- a) *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b) *Restricted net position* – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Classifications - The fund balance of governmental funds is reported in five categories based on the nature of any limitations requiring the use of resources for specific programs. The Town itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance). The classifications used in the Town’s governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form; or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.

Unassigned – This classification includes the residual fund balance for the general fund.

When multiple net position/fund balance classifications are available for use, it is the government’s policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

In the general fund, the Town strives to maintain a minimum unassigned fund balance to be used for unanticipated emergencies of approximately 6-10% of appropriations.

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

1-P Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the general fund. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2015, \$120,835 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 2,994,218
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record miscellaneous income of the consolidated funds	189
To eliminate transfers between consolidated funds	(235,442)
Change in deferred tax revenue relating to 60-day revenue recognition	14,219
Per Exhibit C-3 (GAAP basis)	<u>\$ 2,773,184</u>
	(Continued)

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Budgetary reconciliation to GAAP budgetary basis continued:

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 2,839,559
Adjustment:	
Basis differences:	
Encumbrances, beginning	39,363
Encumbrances, ending	(48,490)
GASB Statement No. 54:	
To eliminate transfers between general and expendable trust funds	(382,500)
Per Exhibit C-3 (GAAP basis)	<u>\$ 2,447,932</u>

2-C Change in Accounting Principle

Effective July 1, 2014, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The requirements of this Statement change the way the School District calculates and reports the costs and obligations associated with pensions. As a result of implementing GASB Statement No. 68 the Town has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014 by \$1,289,900 (see Note 16). The reduction accounts for the associated net position liability, deferred inflows of resources, and deferred outflows of resources related to pensions.

Also, the Town adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment to GASB Statement No. 68*. This Statement addresses and issue in GASB Statement No. 68 concerning transition provisions related to certain pension contributions made to defined benefit pension plans prior to implementation of that Statement by employer and nonemployer contributing entities.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits was \$3,468,727 and the bank balances totaled \$3,555,396.

Repurchase Agreement – Included in the Town's cash equivalents at June 30, 2015, is a short-term investment in a repurchase agreement issued by a local banking institution. Under this agreement, the Town will be repaid principal plus interest on a specified date which is subsequent to year-end. The agreement is guaranteed/collateralized with securities held by the banking institution which equal the amount of the agreement. To the extent that the banking institution may default on its commitment to this obligation, the Town is at risk of economic loss. Management considers this exposure to be minimal. At June 30, 2015, the Town held an investment in the following repurchase agreements:

Amount	Interest Rate %	Maturity Date	Collateral Pledged	
			Underlying Securities	Market Value
\$ 1,535,000	3.00	December 1, 2026	Freddie Mac	\$ 1,592,655
\$ 1,654,485	2.50	August 1, 2028	Freddie Mac	\$ 1,688,038

Custodial Credit Risk – The Town's repurchase agreements are all with banking institutions; therefore, are subject to custodial credit risk. The custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be recovered.

Interest Rate Risk – The term repurchase agreements are also subject to interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the value of the Town's investments.

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

NOTE 4 – INVESTMENTS

Note 1-F describes statutory requirements covering the investment of the Town funds. The Town also maintains a portfolio of short-term maturity investments that are reported at fair value, based on quoted market prices. The Town's fiscal agent or custodian provides the fair value of all intermediate maturity investments.

At June 30, 2015, this Town had the following investments and maturities:

	Less Than 1 Year	1-5 Years	Total
Investments type:			
Certificates of Deposit	\$ -	\$ 262,848	\$ 262,848
New Hampshire Public Deposit Investment Pool	1,166,349	-	1,166,349
Total fair value	<u>\$ 1,166,349</u>	<u>\$ 262,848</u>	<u>\$ 1,429,197</u>

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 1,031,025
Investments per Statement of Net Position-Fiduciary Funds (Exhibit E)	398,172
Total investments	<u>\$ 1,429,197</u>

NOTE 5 – RESTRICTED CASH AND INVESTMENTS

The following cash and/or investments are classified as restricted because of the statutory limitation place on their use as they are earmarked for a specific purpose:

Cash and cash equivalents:	
General fund:	
Expendable trust funds	\$ 983
Investments:	
General fund:	
Expendable trust funds	754,132
Total restricted assets	<u>\$ 755,115</u>

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of June 30, 2015. The amount has been reduced by an allowance for an estimated uncollectible amount of \$2,000. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2015	\$ 2,595,647	\$ 2,595,647
Unredeemed (under tax lien):		
Levy of 2014	116,107	116,107
Levy of 2013	37,992	37,992
Levies of 2012 and prior	819	819
Yield	5,951	5,951
Less: allowance for estimated uncollectible taxes	(2,000) *	-
Taxes receivable	<u>\$ 2,754,516</u>	<u>\$ 2,756,516</u>

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60 day rule as explained in Note 1-C. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

NOTE 7 – OTHER RECEIVABLES

Receivables at June 30, 2015, consisted of accounts (billings for police details, other user charges, and miscellaneous reimbursements and receipts) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015 consisted of the following:

	Balance, beginning	Additions	Balance, ending
At cost:			
Not being depreciated:			
Land	\$ 1,296,888	\$ -	\$ 1,296,888
Being depreciated:			
Land improvements	154,422	-	154,422
Buildings and building improvements	1,648,986	-	1,648,986
Machinery, equipment, and vehicles	1,978,026	34,000	2,012,026
Infrastructure	1,628,802	119,002	1,747,804
Total capital assets being depreciated	5,410,236	153,002	5,563,238
Total all capital assets	6,707,124	153,002	6,860,126
Less accumulated depreciation:			
Land improvements	(69,056)	(7,721)	(76,777)
Buildings and building improvements	(565,244)	(41,005)	(606,249)
Machinery, equipment, and vehicles	(1,032,945)	(147,394)	(1,180,339)
Infrastructure	(473,181)	(84,692)	(557,873)
Total accumulated depreciation	(2,140,426)	(280,812)	(2,421,238)
Net book value, capital assets being depreciated	3,269,810	(127,810)	3,142,000
Net book value, all capital assets	\$ 4,566,698	\$ (127,810)	\$ 4,438,888

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

General government	\$ 21,470
Public safety	71,260
Highways and streets	174,758
Sanitation	9,799
Culture and recreation	3,525
Total depreciation expense	\$ 280,812

NOTE 9 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$3,863,724 at June 30, 2015 consist of the most recent tax commitment that is due to the Holderness School District, Pemi-Baker Regional School District (\$3,259,809), and Grafton County (\$603,915).

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of \$111,076 in the governmental activities at June 30, 2015 consist of amounts related to pensions (see Note 17).

Deferred inflows of resources reported in the governmental funds as unavailable revenue and the governmental activities are as follows:

	Governmental Activities	General Fund
Property taxes levied prior to their due date	\$ -	\$ 934,234
Property tax receivables not collected within 60 days of the end of the fiscal year	-	53,423
Donations received in advance of eligible expenditures being made	-	1,494
School resource officer contract payment received in advance	-	22,927
Deferred amounts related to pensions (see Note 17)	196,279	-
Total deferred inflows of resources	<u>\$ 196,279</u>	<u>\$ 1,012,078</u>

NOTE 11 – CAPITAL LEASE OBLIGATION

The Town has entered into a certain capital lease agreement under which the related equipment will become the property of the Town when all the terms of the lease agreements are met.

	Standard Interest Rate	Present Value of Remaining Payments as of June 30, 2015
Capital lease obligations:		
Saber pumper truck	1.24%	<u>\$ 58,667</u>

The annual requirements to amortize the capital lease payable as of June 30, 2015, including interest payments, are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2016	\$ 30,061
2017	29,697
Total requirements	59,758
Less: interest	(1,091)
Present value of remaining payments	<u>\$ 58,667</u>

Amortization of lease equipment under capital assets is included with depreciation expense.

NOTE 12 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended June 30, 2015:

	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
General obligation bond payable	\$ 233,334	\$ -	\$ (58,333)	\$ 175,001	\$ 58,333
Capital lease	88,000	-	(29,333)	58,667	29,333
Compensated absences	5,126	43,705	-	48,831	-
Total long-term liabilities	<u>\$ 326,460</u>	<u>\$ 43,705</u>	<u>\$ (87,666)</u>	<u>\$ 282,499</u>	<u>\$ 87,666</u>

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Long-term liabilities are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2015	Current Portion
General obligation bond payable:						
Transfer Station	\$ 350,000	2011	2018	2.37%	\$ 175,001	\$ 58,333
Capital lease:						
Saber pumper truck	\$ 88,000	2013	2017	1.24%	58,667	29,333
Compensated absences payable					48,831	-
Total					<u>\$ 282,499</u>	<u>\$ 87,666</u>

The annual requirements to amortize all general obligation bond outstanding as of June 30, 2015, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 58,333	\$ 4,147	\$ 62,480
2017	58,333	2,765	61,098
2018	58,335	1,382	59,717
Totals	<u>\$ 175,001</u>	<u>\$ 8,294</u>	<u>\$ 183,295</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

NOTE 13 – ENCUMBRANCES

Encumbrances outstanding at June 30, 2015 are as follows:

General fund:	
General government	\$ 9,276
Public safety	9,868
Highways and streets	1,846
Capital outlay	27,500
Total encumbrances	<u>\$ 48,490</u>

NOTE 14 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2015 include the following:

Net investment in capital assets:	
Net property, buildings, and equipment	\$ 4,438,888
Less:	
General obligation bonds payable	(175,001)
Notes payable and other long-term debt	(58,667)
Total net investment in capital assets	<u>4,205,220</u>
Restricted for perpetual care:	
Expendable	9,295
Nonexpendable	4,750
Total restricted net position	<u>14,045</u>
Unrestricted	<u>1,107,617</u>
Total net position	<u>\$ 5,326,882</u>

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

As of July 1, 2014, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* which requires the Town to report their proportionate share of the New Hampshire Retirement System's net pension liability based upon their plan contributions for the year as shown above.

NOTE 15 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at June 30, 2015 include the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Prepaid items	\$ 22,900	\$ -	\$ 22,900
Permanent fund - principal balance	-	4,750	4,750
Total nonspendable fund balance	<u>22,900</u>	<u>\$ 4,750</u>	<u>\$ 27,650</u>
Restricted:			
Permanent fund - income balance	-	9,295	9,295
Committed:			
Expendable trust	755,115	-	755,115
Police special detail	-	39,949	39,949
Recreation revolving	-	19,624	19,624
Total committed fund balance	<u>755,115</u>	<u>59,573</u>	<u>814,688</u>
Assigned:			
Encumbrances	48,490	-	48,490
Unassigned	<u>1,471,008</u>	<u>-</u>	<u>1,471,008</u>
Total governmental fund balances	<u>\$ 2,297,513</u>	<u>\$ 73,618</u>	<u>\$ 2,371,131</u>

NOTE 16 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at July 1, 2014 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements	General Fund (GAAP Basis)	General Fund (Budgetary Basis)
To adjust vacation liability to actual	\$ 58,817	\$ 58,817	\$ 58,817
To remove deferred donations spent in previous years	10,200	10,200	10,200
To adjust for school and county portions of deferred property taxes	-	135,889	-
To record the net pension liability and deferred outflows of resources related to pensions for implementation of GASB No. 68	(1,289,900)	-	-
Net position/fund balance, as previously reported	6,261,392	1,767,355	1,310,820
Net position/fund balance, as restated	<u>\$ 5,040,509</u>	<u>\$ 1,972,261</u>	<u>\$ 1,379,837</u>

NOTE 17 – DEFINED BENEFIT PENSION PLAN

Plan Description: The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), 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 Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

beneficiaries. 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 System issues a publically available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

Benefits Provided: 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 available to pay retirement benefits to all members.

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.

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 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 member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

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

Contributions: The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2015, the Town contributed 25.30% for police officers, 27.74% for firefighters, and 10.77% for other employees. The contribution requirements for the fiscal years 2013, 2014, and 2015 were \$94,262, \$116,666, and \$130,739, respectively, which were paid in full in each year.

Pension Liabilities, Pension Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2015 the Town reported a liability of \$1,162,082 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 that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2014, the Town's proportion was 0.03095926% which was a decrease of 0.00134577% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$68,461. At June 30, 2015 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ 47,590
Net difference between projected and actual investment earnings on pension plan investments	-	148,689
Contributions subsequent to the measurement date	111,076	-
Total	<u>\$ 111,076</u>	<u>\$ 196,279</u>

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

The \$111,076 reported as deferred outflows of resources related to pensions, results from the Town contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 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:

Fiscal Year Ending June 30,	
2016	\$ (47,501)
2017	(47,501)
2018	(47,501)
2019	(6,274)
Totals	<u>\$ (148,777)</u>

Actuarial Assumptions: The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2013, using the following actuarial assumptions which, accordingly apply to both 2014 and 2013 measurements:

Inflation:	3.0%
Salary increases:	3.75- 5.8% average, including inflation
Investment rate of return:	7.75% 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.

The actuarial assumptions used in the June 30, 2013 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2010.

Long-term Rates of Return: The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2014 and 2013:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return	
		2014	2013
Large Cap Equities	22.50%	3.25%	3.75%
Small/Mid Cap Equities	7.50%	3.50%	4.00%
Total domestic equity	<u>30.00%</u>		
Int'l Equities (unhedged)	13.00%	4.25%	4.75%
Emerging Int'l Equities	7.00%	6.50%	6.75%
Total international equity	<u>20.00%</u>		
Core Bonds	18.00%	(0.47)%	(0.96)%
High-Yield Bonds	1.50%	1.50%	2.00%
Global Bonds (unhedged)	5.00%	(1.75)%	(2.25)%
Emerging Market Debt (external)	0.50%	2.00%	1.00%
Total fixed income	<u>25.00%</u>		

(Continued)

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Long-term rates of return continued:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return	
		2014	2013
Private equity	5.00%	5.75%	6.00%
Private debt	5.00%	5.00%	5.50%
Real estate	10.00%	3.25%	3.00%
Opportunistic	5.00%	2.50%	2.63%
Total alternative investments	25.00%		
Total	100.00%		

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

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table 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 lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.75%	Current Single Rate Assumption 7.75%	1% Increase 8.75%
June 30, 2014	\$ 1,530,652	\$ 1,162,082	\$ 851,139
June 30, 2013	\$ 1,782,444	\$ 1,390,339	\$ 1,060,738

Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separated issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The Town provides postemployment benefit options for health care, life insurance, dental insurance, and disability income to eligible retirees, terminated employees, and their dependents in accordance with the provisions of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the Town's contractual agreements. Expenses for the cost of providing health insurance for currently enrolled retirees are recognized in general fund of the funds financial statements as payments are made.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45, which was effective for the Town on January 1, 2009, requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported on the financial statements. The Town has not implemented GASB Statement No. 45 at June 30, 2015 or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the Town. The amounts that should be recorded as the annual required contribution/OPEB cost and the net OPEB obligation are unknown.

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

NOTE 19 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2015, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pool, currently operating as common risk management and insurance programs for member Towns and cities.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2014 to June 30, 2015 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Holderness billed and paid for the year ended June 30, 2015 was \$21,681 for workers' compensation and \$28,756 for property/liability.

NOTE 20 – CONTINGENCIES

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 21 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through January 28, 2016, the date the June 30, 2015 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF HOLDERNESS, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For The Fiscal Year Ended June 30, 2015

<u>Fiscal Year End</u>	<u>Valuation Date</u>	<u>Town's Proportion of Net Pension Liability</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Town Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2014	July 1, 2013	0.03230503%	\$ 1,390,339	\$ 652,344	213.13%	66.32%
June 30, 2015	July 1, 2014	0.03095926%	\$ 1,162,082	\$ 628,603	184.87%	59.81%

The notes to the required supplementary information is an integral part of this schedule.

EXHIBIT G
TOWN OF HOLDERNESS, NEW HAMPSHIRE
Schedule of Town Contributions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For The Fiscal Year Ended June 30, 2015

Fiscal Year End	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2014	July 1, 2013	\$ 80,328	\$ 80,328	\$ -	\$ 652,344	12.31%
June 30, 2015	July 1, 2014	\$ 100,439	\$ 100,439	\$ -	\$ 628,603	15.98%

The notes to the required supplementary information is an integral part of this schedule.

TOWN OF HOLDERNESS, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
JUNE 30, 2015

Schedule of the Town's Proportionate Share of Net Pension Liability & Schedule of Town Contributions

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the Town's pension plan at June 30, 2015.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2014:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	25 Years beginning July 1, 2014
Asset Valuation Method	5-Year smooth market for funding purposes
Price Inflation	3.0% per year
Wage Inflation	3.75% per year
Salary Increases	5.8% Average, including inflation
Municipal Bond Rate	4.29% per year
Investment Rate of Return	7.75% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2005-2010.
Mortality	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.

Other Information:

Notes	Contribution rates for Fiscal Year 2014 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
-------	--

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF HOLDERNESS, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,815,801	\$ 1,829,527	\$ 13,726
Land use change	2,500	7,800	5,300
Yield	3,500	24,217	20,717
Excavation	-	244	244
Payment in lieu of taxes	1,000	1,000	-
Interest and penalties on taxes	38,000	54,404	16,404
Total from taxes	<u>1,860,801</u>	<u>1,917,192</u>	<u>56,391</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	10,200	13,391	3,191
Motor vehicle permit fees	345,000	431,038	86,038
Building permits	6,900	11,339	4,439
Other	11,400	12,017	617
Total from licenses, permits, and fees	<u>373,500</u>	<u>467,785</u>	<u>94,285</u>
Intergovernmental:			
State:			
Meals and rooms distribution	101,436	101,436	-
Highway block grant	62,270	62,845	575
Federal:			
Other	5	9	4
Total from intergovernmental	<u>163,711</u>	<u>164,290</u>	<u>579</u>
Charges for services:			
Income from departments	<u>111,488</u>	<u>154,873</u>	<u>43,385</u>
Miscellaneous:			
Interest on investments	18,120	16,582	(1,538)
Insurance dividends and reimbursements	28,430	28,583	153
Other	150	9,471	9,321
Total from miscellaneous	<u>46,700</u>	<u>54,636</u>	<u>7,936</u>
Other financing sources:			
Transfers in	<u>243,000</u>	<u>235,442</u>	<u>(7,558)</u>
Total revenues and other financing sources	<u>2,799,200</u>	<u>\$ 2,994,218</u>	<u>\$ 195,018</u>
Unassigned fund balance used to reduce tax rate	<u>120,835</u>		
Total revenues, other financing sources, and use of fund balance	<u>\$ 2,920,035</u>		

SCHEDULE 2
TOWN OF HOLDERNESS, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 134,855	\$ 132,829	\$ -	\$ 2,026
Election and registration	-	74,500	75,755	-	(1,255)
Financial administration	950	66,500	65,425	3,450	(1,425)
Revaluation of property	10,000	43,600	36,322	-	17,278
Legal	-	15,000	15,309	-	(309)
Personnel administration	-	382,500	358,549	5,426	18,525
Planning and zoning	-	20,075	18,751	-	1,324
General government buildings	6,050	17,000	21,637	-	1,413
Cemeteries	-	3,400	3,584	400	(584)
Insurance, not otherwise allocated	-	29,750	28,756	-	994
Other	-	6,600	3,000	-	3,600
Total general government	17,000	793,780	759,917	9,276	41,587
Public safety:					
Police	-	434,315	435,663	-	(1,348)
Ambulance	-	47,537	46,723	-	814
Fire	-	168,150	162,191	5,655	304
Building inspection	-	16,400	12,121	-	4,279
Emergency management	2,763	1,800	321	4,213	29
Total public safety	2,763	668,202	657,019	9,868	4,078
Highways and streets:					
Highways and streets	-	299,900	294,581	1,846	3,473
Street lighting	-	5,300	5,317	-	(17)
Total highways and streets	-	305,200	299,898	1,846	3,456
Sanitation:					
Solid waste disposal	-	166,000	163,821	-	2,179
Other	-	3,800	3,245	-	555
Total sanitation	-	169,800	167,066	-	2,734
Health:					
Pest control	-	1,500	1,500	-	-
Health agencies	-	30,000	30,000	-	-
Total health	-	31,500	31,500	-	-
Welfare:					
Direct assistance	-	25,000	6,239	-	18,761
Culture and recreation:					
Parks and recreation	-	64,130	57,311	-	6,819
Library	-	124,940	111,955	-	12,985
Patriotic purposes	-	4,700	905	-	3,795
Total culture and recreation	-	193,770	170,171	-	23,599
Conservation	-	3,500	1,760	-	1,740
Debt service:					
Principal of long-term debt	-	87,667	87,666	-	1
Interest on long-term debt	-	5,281	6,660	-	(1,379)
Total debt service	-	92,948	94,326	-	(1,378)

(Continued)

SCHEDULE 2 (Continued)
TOWN OF HOLDERNESS, NEW HAMPSHIRE
Major General Fund

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2015

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Capital outlay	19,600	253,835	260,036	27,500	(14,101)
Other financing uses:					
Transfers out	-	382,500	382,500	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 39,363</u>	<u>\$ 2,920,035</u>	<u>\$ 2,830,432</u>	<u>\$ 48,490</u>	<u>\$ 80,476</u>

SCHEDULE 3
TOWN OF HOLDERNESS, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended June 30, 2015

Unassigned fund balance, beginning, as restated (see Note 16) (Non-GAAP Budgetary Basis)		\$ 1,379,837
Changes:		
Unassigned fund balance used to reduce 2014-2015 tax rate		(120,835)
2014-2015 Budget summary:		
Revenue surplus (Schedule 1)	\$ 195,018	
Unexpended balance of appropriations (Schedule 2)	80,476	
2014-2015 Budget surplus		275,494
Increase in nonspendable fund balance		(22,900)
Decrease in committed fund balance		10,835
Unassigned fund balance, ending (Non-GAAP Budgetary Basis Exhibit D)		1,522,431
Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:		
To comply with generally accepted accounting principles by deferring property taxes not collected within 60 days of fiscal year-end		(51,423)
Unassigned fund balance, ending (GAAP basis Exhibit C-1)		\$ 1,471,008

SCHEDULE 4
TOWN OF HOLDERNESS, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015

	Special Revenue Funds			
	Police Detail	Recreation Revolving	Permanent Fund	Total
ASSETS				
Cash and cash equivalents	\$ 37,391	\$ 19,624	\$ -	\$ 57,015
Investments	-	-	14,045	14,045
Accounts receivable	2,558	-	-	2,558
Total assets	<u>\$ 39,949</u>	<u>\$ 19,624</u>	<u>\$ 14,045</u>	<u>\$ 73,618</u>
FUND BALANCES				
Nonspendable	\$ -	\$ -	\$ 4,750	\$ 4,750
Restricted	-	-	9,295	9,295
Committed	39,949	19,624	-	59,573
Total fund balances	<u>\$ 39,949</u>	<u>\$ 19,624</u>	<u>\$ 14,045</u>	<u>\$ 73,618</u>

SCHEDULE 5
TOWN OF HOLDERNESS, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2015

	Special Revenue Funds		Permanent	
	Police	Recreation	Fund	Total
	Detail	Revolving		
Revenues:				
Charges for services	\$ 32,068	\$ 17,025	\$ -	\$ 49,093
Expenditures:				
Current:				
Public safety	23,080	-	-	23,080
Culture and recreation	-	11,188	-	11,188
Total expenditures	23,080	11,188	-	34,268
Net change in fund balances	8,988	5,837	-	14,825
Fund balances, beginning	30,961	13,787	14,045	58,793
Fund balances, ending	\$ 39,949	\$ 19,624	\$ 14,045	\$ 73,618