

**TOWN OF HOLDERNESS,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2016**

**TOWN OF HOLDERNESS, NEW HAMPSHIRE**  
**ANNUAL FINANCIAL REPORT**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**TABLE OF CONTENTS**

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

**BASIC FINANCIAL STATEMENTS**

<b>Government-wide Financial Statements</b>	
A Statement of Net Position .....	10
B Statement of Activities .....	11
<b>Fund Financial Statements</b>	
<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-1 Statement of Net Position .....	17
E-2 Statement of Changes in Net Position .....	18
<b>NOTES TO THE BASIC FINANCIAL STATEMENTS .....</b>	19 - 34

**REQUIRED SUPPLEMENTARY INFORMATION**

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

**COMBINING AND INDIVIDUAL FUND SCHEDULES**

<b>Governmental Funds</b>	
<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, New Hampshire, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### ***Auditor's Responsibility***

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

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

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

### ***Summary of Opinions***

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
General Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

### ***Basis for Adverse Opinion on Governmental Activities***

As discussed in Note 14 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.

*Town of Holderness*  
*Independent Auditor's Report*

***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, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund, and aggregate remaining fund information of the Town of Holderness as of June 30, 2016, and 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.

***Other Matters***

**Required Supplementary Information** - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Town's Proportionate Share of Net Pension Liability, and the Schedule of Town Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers them 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 schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

December 30, 2016

*Plodzik & Sanderson*  
*Professional Association*

# **TOWN OF HOLDERNESS, NEW HAMPSHIRE MANAGEMENT'S DISCUSSION AND ANALYSIS**

For the Year Ending June 30, 2016

Presented herewith please find the Management Discussion & Analysis Report for the Town of Holderness for the year ending June 30, 2016. 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 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, 2016

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 19 to 34.

**TOWN OF HOLDERNESS, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ending June 30, 2016

**Government-wide Financial Analysis**

**Statement of Net Position**

Net position of the Town of Holderness as of June 30, 2016 and 2015 are as follows:

Summary of Net Position Governmental Activities			
	2016	2015	Increase (Decrease)
Current Assets	\$ 7,455,678	\$ 7,279,726	\$ 175,952
Capital Assets	4,571,132	4,438,888	132,244
Total Assets	<u>12,026,810</u>	<u>11,718,614</u>	<u>308,196</u>
Deferred Outflows of Resources	<u>208,138</u>	<u>111,076</u>	<u>97,062</u>
Current Liabilities	3,976,114	3,903,294	72,820
Noncurrent Liabilities	1,558,194	1,444,580	113,614
Total Liabilities	<u>5,534,308</u>	<u>5,347,874</u>	<u>186,434</u>
Deferred Inflows of Resources	<u>1,000,921</u>	<u>1,154,935</u>	<u>(154,014)</u>
Net Investment in Capital Assets	4,525,131	4,205,220	319,911
Restricted Net Position	14,088	14,045	43
Unrestricted Net Position	<u>1,160,500</u>	<u>1,107,617</u>	<u>52,883</u>
Total Net Position	<u><u>\$ 5,699,719</u></u>	<u><u>\$ 5,326,882</u></u>	<u><u>\$ 372,837</u></u>

**TOWN OF HOLDERNESS, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ending June 30, 2016

**Statement of Activities**

Changes in net position for the year ending June 30, 2016 and 2015 are as follows:

Summary of Changes in Net Position  
Governmental Activities

	<u>2016</u>	<u>2015</u>	<u>Difference</u>
<b>Revenues:</b>			
<b>Program Revenue:</b>			
Charges for Services	\$ 204,322	\$ 203,966	\$ 356
Operating Grants and Contributions	71,134	62,845	8,289
Total Program Revenue	<u>275,456</u>	<u>266,811</u>	<u>8,645</u>
<b>General Revenue:</b>			
Taxes	1,856,341	1,923,088	(66,747)
Licenses & Permits	543,437	461,889	81,548
Unrestricted Grants & Contributions	105,792	101,445	4,347
Unrestricted Investment Earnings	19,034	16,771	2,263
Miscellaneous	67,015	38,054	28,961
Total General Revenue	<u>2,591,619</u>	<u>2,541,247</u>	<u>50,372</u>
Total Revenues	<u>2,867,075</u>	<u>2,808,058</u>	<u>59,017</u>
<b>Expenses:</b>			
General Government	\$ 781,473	\$ 748,355	\$ 33,118
Public Safety	749,952	772,641	(22,689)
Highways & Streets	455,335	483,277	(27,942)
Sanitation	190,553	179,565	10,988
Health	29,819	31,500	(1,681)
Welfare	4,190	6,239	(2,049)
Culture & Recreation	196,949	186,403	10,546
Conservation	2,888	1,760	1,128
Interest	3,210	4,911	(1,701)
Capital Outlay	79,869	107,034	(27,165)
Total Expenses	<u>2,494,238</u>	<u>2,521,685</u>	<u>(27,447)</u>
Change in Net Position	372,837	286,373	86,464
Net Position, beginning	<u>5,326,882</u>	<u>5,040,509</u>	<u>286,373</u>
Net Position, ending	<u>\$ 5,699,719</u>	<u>\$ 5,326,882</u>	<u>\$ 372,837</u>



**TOWN OF HOLDERNESS, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ending June 30, 2016

**Town of Holderness Activities**

As shown in the above statement the Town experienced an increase in financial position of \$372,837 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 \$2,461,774 this is an increase of \$164,261 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 \$227,953, with some of that increase attributed to a greater than anticipated amount of revenue received from motor vehicle permits \$97,923, unanticipated state aid of \$46,376 as well as unanticipated income from departments of \$44,273.

The Town's general fund had a favorable variance in appropriations versus actual expenditures in the amount of \$189,960. The majority of this budgetary under-expenditure can be found in the general government (\$59,752), welfare (\$20,810), highways and streets (\$34,779) and culture and recreation (\$15,702). These savings can be attributed to careful management of the operating budget and expenditures that came in below expectations.

**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. In the current year the Town put into service \$132,244 and did not retire any capital assets.

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 reviewing capital equipment requirements through the year 2024 to sufficiently fund capital reserves in an effort to eliminate borrowing. 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, 2016

The capital asset activity for the year ended June 30, 2016 is as follows:

Capital Assets at Year End  
Governmental Activities

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Increase (Decrease)</u>
Land	\$1,296,888	\$1,296,888	\$ -
Construction in progress	264,071	-	264,071
Land Improvements	154,422	154,422	-
Buildings & Improvements	1,648,986	1,648,986	-
Machinery, Equipment & Vehicles	2,022,926	2,012,026	10,900
Infrastructure	1,873,471	1,747,804	125,667
Totals at Historical Cost	<u>7,260,764</u>	<u>6,860,126</u>	<u>400,638</u>
Less: Accumulated Depreciation	<u>(2,689,632)</u>	<u>(2,421,238)</u>	<u>(268,394)</u>
Total Net Capital Assets	<u>\$4,571,132</u>	<u>\$4,438,888</u>	<u>\$132,244</u>

**Long-Term Obligations**

A schedule of outstanding debt is presented below:

Long-Term Debt Outstanding at Year End  
Governmental Activities

	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>Increase (Decrease)</u>
General Obligation Bond Payable	\$ 116,667	\$ 175,000	\$ (58,333)
Capital Lease Payable	29,334	58,667	(29,333)
Compensated Absences Payable	50,233	48,831	1,402
Net Pension Liability	<u>1,361,960</u>	<u>1,162,082</u>	<u>199,878</u>
Total Long-Term Debt Outstanding	<u>\$1,558,194</u>	<u>\$1,444,580</u>	<u>\$113,614</u>

**TOWN OF HOLDERNESS, NEW HAMPSHIRE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ending June 30, 2016

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 2018-2019 if there is no additional borrowing initiated.

The Town's management philosophy regarding the development and expenditure of the operations and capital budgets continues to evolve to meet changing external demands. One of the key components is the continued funding of capital reserve accounts to minimize the impacts of borrowing for capital expenditures. This has proven to be an effective strategy in that we currently have one year of debt service left to pay on one remaining capital item. Our goal going forward will be to minimize future impacts through continued robust capital reserve funding.

We will also be mindful of mitigating increased operating expenses many of which are the result of legislative mandates at the State and Federal level. These and other factors can impact the operating budget making it increasingly difficult to maintain or improve our level of service to the community while minimizing the impact to the Town portion of the tax rate.

Management's concerns for the future include:

The importance of continuing to conduct fair and timely property assessments. Assessed values are the key to funding the necessary services for our community and we strive to provide current and equitable values so that the burden is shared fairly.

Rising health care and insurance costs as well as rising retirement obligations continue to have significant impacts on operating budgets. Health Insurance premiums increased by more than 10% in 2016. State mandated employer retirement contributions continue to increase as do necessary insurance premiums. All of these contribute to increased operating costs. Steps have been taken in recent years to mitigate some of the impacts of these required obligations, but the increase still outpaces our ability to compensate. Management will continue to look for ways to provide for our employees while keeping an eye on the bottom line.

State reduction in services and funding is a major concern in the short and long term as a continued reduction in State services and financial aid puts additional burdens on local government to provide for those who are in need. This increased financial burden to the Town has deep financial implications. This is further complicated by increasing reporting requirements that add to the Town's financial burden.

Education funding is another very important concern for management. While our community faces declining enrollments which one might think would lower educational costs, the increase in mandated programs and special needs programs, while necessary, help to keep education costs high.

The Town will continue to look for ways to improve the level of service to the community by providing on line access to services for our residents and taxpayers. It is our hope that by providing these services we can not only improve the already high level of service we provide, but we can also minimize increases to the 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, 2016**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,917,802
Investments	1,141,034
Taxes receivables	2,396,552
Accounts receivable	50
Prepaid items	240
Capital assets:	
Land and construction in progress	1,560,959
Other capital assets, net of depreciation	3,010,173
Total assets	<u>12,026,810</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pensions	<u>208,138</u>
<b>LIABILITIES</b>	
Accounts payable	7,388
Accrued salaries and benefits	403
Accrued interest payable	3,068
Intergovernmental payable	3,965,255
Long-term liabilities:	
Due within one year	87,668
Due in more than one year	1,470,526
Total liabilities	<u>5,534,308</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - property taxes	881,928
Unavailable revenue - donations	1,025
Related to pensions	117,968
Total deferred inflows of resources	<u>1,000,921</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,525,131
Restricted	14,088
Unrestricted	1,160,500
Total net position	<u><u>\$ 5,699,719</u></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, 2016*

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
		for	Grants and	Change In
	Expenses	Services	Contributions	Net Position
General government	\$ 781,473	\$ 4,147	\$ -	\$ (777,326)
Public safety	749,952	102,428	-	(647,524)
Highways and streets	455,335	-	71,134	(384,201)
Sanitation	190,553	42,001	-	(148,552)
Health	29,819	-	-	(29,819)
Welfare	4,190	-	-	(4,190)
Culture and recreation	196,949	55,746	-	(141,203)
Conservation	2,888	-	-	(2,888)
Interest on long-term debt	3,210	-	-	(3,210)
Capital outlay	79,869	-	-	(79,869)
Total governmental activities	<u>\$ 2,494,238</u>	<u>\$ 204,322</u>	<u>\$ 71,134</u>	<u>(2,218,782)</u>
General revenues:				
Taxes:				
Property				1,717,581
Other				138,760
Motor vehicle permit fees				472,923
Licenses and other fees				70,514
Grants and contributions not restricted to specific programs				105,792
Unrestricted investment earnings				19,034
Miscellaneous				67,015
Total general revenues				<u>2,591,619</u>
Change in net position				372,837
Net position, beginning				5,326,882
Net position, ending				<u>\$ 5,699,719</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, 2016**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,834,412	\$ 73,832	\$ 3,908,244
Investments	265,362	14,088	279,450
Accounts receivable	50	-	50
Taxes receivable	2,396,552	-	2,396,552
Voluntary tax liens	14,351	-	14,351
Voluntary tax liens reserved until collected	(14,351)	-	(14,351)
Prepaid items	240	-	240
Restricted assets:			
Cash and cash equivalents	9,558	-	9,558
Investments	861,584	-	861,584
Total assets	<u>\$ 7,367,758</u>	<u>\$ 87,920</u>	<u>\$ 7,455,678</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 7,388	\$ -	\$ 7,388
Accrued salaries and benefits	403	-	403
Intergovernmental payable	3,965,255	-	3,965,255
Total liabilities	<u>3,973,046</u>	<u>-</u>	<u>3,973,046</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - property taxes	931,913	-	931,913
Unavailable revenue - donations	1,025	-	1,025
Total deferred inflows of resources	<u>932,938</u>	<u>-</u>	<u>932,938</u>
<b>FUND BALANCES</b>			
Nonspendable	240	4,750	4,990
Restricted	-	9,338	9,338
Committed	1,082,421	73,832	1,156,253
Assigned	1,582	-	1,582
Unassigned	1,377,531	-	1,377,531
Total fund balances	<u>2,461,774</u>	<u>87,920</u>	<u>2,549,694</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 7,367,758</u>	<u>\$ 87,920</u>	<u>\$ 7,455,678</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, 2016*

Total fund balances of governmental funds (Exhibit C-1)		\$ 2,549,694
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	\$ 7,260,764	
Less accumulated depreciation	<u>(2,689,632)</u>	
		4,571,132
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	\$ 208,138	
Deferred inflows of resources related to pensions	<u>(117,968)</u>	
		90,170
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		49,985
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(3,068)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bond	\$ 116,667	
Capital lease	29,334	
Compensated absences	50,233	
Net pension liability	<u>1,361,960</u>	
		<u>(1,558,194)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 5,699,719</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, 2016**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 1,851,817	\$ -	\$ 1,851,817
Licenses and permits	504,399	-	504,399
Intergovernmental	221,926	-	221,926
Charges for services	164,273	40,049	204,322
Miscellaneous	86,006	43	86,049
Total revenues	<u>2,828,421</u>	<u>40,092</u>	<u>2,868,513</u>
<b>EXPENDITURES</b>			
Current:			
General government	747,470	-	747,470
Public safety	669,268	11,612	680,880
Highways and streets	278,072	-	278,072
Sanitation	181,313	-	181,313
Health	29,819	-	29,819
Welfare	4,190	-	4,190
Culture and recreation	178,048	14,178	192,226
Conservation	2,888	-	2,888
Debt service:			
Principal	87,666	-	87,666
Interest	4,919	-	4,919
Capital outlay	480,507	-	480,507
Total expenditures	<u>2,664,160</u>	<u>25,790</u>	<u>2,689,950</u>
Net change in fund balances	164,261	14,302	178,563
Fund balances, beginning	2,297,513	73,618	2,371,131
Fund balances, ending	<u>\$ 2,461,774</u>	<u>\$ 87,920</u>	<u>\$ 2,549,694</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, 2016*

Net change in fund balances of governmental funds (Exhibit C-3)			\$ 178,563
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 capitalized capital outlay exceeded depreciation expense in the current period.			
	Capitalized capital outlay	\$ 400,638	
	Depreciation expense	<u>(268,394)</u>	
			132,244
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	\$ 208,138	
	Net pension expense	<u>(235,519)</u>	
			(27,381)
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	\$ 3,438	
	Change in allowance for uncollectible taxes	<u>(2,000)</u>	
			1,438
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	\$ 1,709	
	Increase in compensated absences payable	<u>(1,402)</u>	
			307
Changes in net position of governmental activities (Exhibit B)			<u><u>\$ 372,837</u></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, 2016**

	Budgeted Amounts			Variance Positive (Negative)
	Original	Final	Actual	
<b>REVENUES</b>				
Taxes	\$ 1,846,624	\$ 1,846,624	\$ 1,850,379	\$ 3,755
Licenses and permits	410,900	403,800	504,399	100,599
Intergovernmental	175,550	182,650	221,926	39,276
Charges for services	120,000	120,000	164,273	44,273
Miscellaneous	40,120	40,120	80,170	40,050
Total revenues	2,593,194	2,593,194	2,821,147	227,953
<b>EXPENDITURES</b>				
Current:				
General government	781,057	797,946	738,194	59,752
Public safety	666,446	666,446	659,400	7,046
Highways and streets	311,005	311,005	276,226	34,779
Sanitation	169,800	169,800	181,313	(11,513)
Health	31,400	31,400	31,401	(1)
Welfare	25,000	25,000	4,190	20,810
Culture and recreation	193,750	193,750	178,048	15,702
Conservation	4,000	4,000	2,888	1,112
Debt service:				
Principal	87,667	87,667	87,666	1
Interest	4,875	4,875	4,919	(44)
Capital outlay	469,500	515,323	453,007	62,316
Total expenditures	2,744,500	2,807,212	2,617,252	189,960
Excess of revenues over expenditures	(151,306)	(214,018)	203,895	417,913
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	266,000	328,712	288,350	(40,362)
Transfers out	(402,000)	(402,000)	(398,541)	3,459
Total other financing sources (uses)	(136,000)	(73,288)	(110,191)	(36,903)
Net change in fund balances	\$ (287,306)	\$ (287,306)	93,704	\$ 381,010
Decrease in nonspendable fund balance			22,660	
Increase in committed fund balance			(211,279)	
Unassigned fund balance, beginning			1,522,431	
Unassigned fund balance, ending			\$ 1,427,516	

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

*EXHIBIT E-1*  
**TOWN OF HOLDERNESS, NEW HAMPSHIRE**  
*Fiduciary Funds*  
*Statement of Net Position*  
*June 30, 2016*

	Private Purpose Trust	Agency
<b>ASSETS</b>		
Investments	\$ 145,128	\$ 306,619
<b>LIABILITIES</b>		
Intergovernmental payable	-	306,619
<b>NET POSITION</b>		
Held in trust for specific purposes	\$ 145,128	\$ -

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

*EXHIBIT E-2*  
**TOWN OF HOLDERNESS, NEW HAMPSHIRE**  
*Fiduciary Funds*  
*Statement of Changes in Net Position*  
*For the Fiscal Year Ended June 30, 2016*

	Private Purpose Trust
<b>ADDITIONS</b>	
New funds	\$ 4,598
Interest	453
Total revenue	5,051
<b>DEDUCTIONS</b>	
Scholarships	9,650
Change in net position	(4,599)
Net position, beginning, as restated (see Note 18)	149,727
Net position, ending	\$ 145,128

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, 2016**

	<b><u>NOTE</u></b>
<b>Summary of Significant Accounting Policies .....</b>	<b>1</b>
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
Investments.....	1-E
Receivables.....	1-F
Property Taxes.....	1-G
Interfund Transfers .....	1-H
Prepaid Items .....	1-I
Capital Assets .....	1-J
Restricted Assets.....	1-K
Deferred Outflows/Inflows of Resources .....	1-L
Long-term Obligations .....	1-M
Compensated Absences .....	1-N
Defined Benefit Pension Plan .....	1-O
Net Position/Fund Balance .....	1-P
 <b>Stewardship, Compliance, and Accountability.....</b>	 <b>2</b>
Budgetary Information.....	2-A
Budgetary Reconciliation to GAAP Basis .....	2-B

***DETAILED NOTES ON ALL FUNDS***

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

**TOWN OF HOLDERNESS, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**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 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 requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. As noted above in the Statement of Net Position section, 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. Major individual governmental funds are reported as separate columns 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, 2016**

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 the 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:

**Private Purpose Trust Fund** – accounts for money left for the benefit of students.

**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, certificates of 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 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,



**TOWN OF HOLDERNESS, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

- 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-F Receivables***

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

***1-G 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 May 31 and November 12 and due on July 8 and December 12. 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 30, 2016 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 672,168,411
For all other taxes	\$ 688,062,964

The tax rates and amounts assessed for the year ended June 30, 2016 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$ 2.58	\$ 1,776,636
School portion:		
State of New Hampshire	2.64	1,771,544
Local	7.13	4,905,210
County portion	1.83	1,261,381
Total	<u>\$ 14.18</u>	<u>\$ 9,714,771</u>

***1-H Interfund Transfers***

Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

**TOWN OF HOLDERNESS, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**1-I 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-J 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>
<b>Capital Asset Classes:</b>	
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 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.

**1-K Restricted Assets**

Certain cash and investment balances are 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.

**1-L 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-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.

**1-N 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.

**TOWN OF HOLDERNESS, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

***1-O 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.

***1-P 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. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital 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, 2016**

**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 2016, \$287,306 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)	\$ 3,109,497
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record miscellaneous income of the consolidated funds	5,836
To eliminate transfers between consolidated funds	(288,350)
Change in deferred tax revenue relating to 60-day revenue recognition	1,438
Per Exhibit C-3 (GAAP basis)	<u>\$ 2,828,421</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 3,015,793
Adjustment:	
Basis differences:	
Encumbrances, beginning	48,490
Encumbrances, ending	(1,582)
GASB Statement No. 54:	
To eliminate transfers between general and expendable trust funds	(398,541)
Per Exhibit C-3 (GAAP basis)	<u>\$ 2,664,160</u>

**TOWN OF HOLDERNESS, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

At June 30, 2016, the reported amount of the Town's deposits was \$3,917,802 and the bank balance was \$3,863,511. Of the bank balance \$3,706,720 was covered by federal depository insurance or by collateral held by the Town's agent in the Town's name, and \$165,332 was uninsured and uncollateralized.

**Repurchase Agreement** – Included in the Town's cash equivalents at June 30, 2016, 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, 2016, the Town held an investment in the following repurchase agreements:

Amount	Interest Rate %	Maturity Date	Collateral Pledged	
			Underlying Securities	Market Value
\$ 815,000	2.50	September 1, 2024	FHLMC	\$ 845,994
\$ 2,514,066	2.00	February 1, 2030	FHLMC	\$ 2,600,349

**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.

**NOTE 4 – INVESTMENTS**

Note 1-E 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, 2016, this Town had the following investments and maturities:

	Less Than 1 Year	1-5 Years	Total
Investments type:			
Certificates of Deposit	\$ -	\$ 265,362	\$ 265,362
New Hampshire Public Deposit Investment Pool	1,327,419	-	1,327,419
Total fair value	<u>\$ 1,327,419</u>	<u>\$ 265,362</u>	<u>\$ 1,592,781</u>

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 1,141,034
Investments per Statement of Net Position-Fiduciary Funds (Exhibit E-1)	451,747
Total investments	<u>\$ 1,592,781</u>

**TOWN OF HOLDERNESS, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**NOTE 5 – TAXES RECEIVABLE**

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of June 30, 2016. Taxes receivable by year are as follows:

Property:	
Levy of 2016	\$ 2,279,335
Unredeemed (under tax lien):	
Levy of 2015	77,076
Levy of 2014	39,912
Levies of 2013 and prior	228
Taxes receivable	<u>\$ 2,396,552</u>

**NOTE 6 – OTHER RECEIVABLES**

Receivables at June 30, 2016, consisted of accounts (billings for police details, other user charges and miscellaneous reimbursements and refunds). 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 7 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016 consisted of the following:

	Balance, beginning	Additions	Balance, ending
At cost:			
Not being depreciated:			
Land	\$ 1,296,888	\$ -	\$ 1,296,888
Construction in progress	-	264,071	264,071
Total capital assets not being depreciated	<u>1,296,888</u>	<u>264,071</u>	<u>1,560,959</u>
Being depreciated:			
Land improvements	154,422	-	154,422
Buildings and building improvements	1,648,986	-	1,648,986
Machinery, equipment, and vehicles	2,012,026	10,900	2,022,926
Infrastructure	1,747,804	125,667	1,873,471
Total capital assets being depreciated	<u>5,563,238</u>	<u>136,567</u>	<u>5,699,805</u>
Total all capital assets	<u>6,860,126</u>	<u>400,638</u>	<u>7,260,764</u>
Less accumulated depreciation:			
Land improvements	(76,777)	(7,721)	(84,498)
Buildings and building improvements	(606,249)	(41,005)	(647,254)
Machinery, equipment, and vehicles	(1,180,339)	(130,508)	(1,310,847)
Infrastructure	(557,873)	(89,160)	(647,033)
Total accumulated depreciation	<u>(2,421,238)</u>	<u>(268,394)</u>	<u>(2,689,632)</u>
Net book value, capital assets being depreciated	<u>3,142,000</u>	<u>(131,827)</u>	<u>3,010,173</u>
Net book value, all capital assets	<u>\$ 4,438,888</u>	<u>\$ 132,244</u>	<u>\$ 4,571,132</u>

**TOWN OF HOLDERNESS, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

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	\$ 16,439
Public safety	61,475
Highways and streets	177,156
Sanitation	9,799
Culture and recreation	3,525
Total depreciation expense	<u>\$ 268,394</u>

**NOTE 8 – RESTRICTED ASSETS**

The following cash and 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	\$ 9,558
Investments:	
General fund:	
Expendable trust funds	<u>861,584</u>
Total restricted assets	<u>\$ 871,142</u>

**NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows of resources of \$208,138 in the government wide Statement of Net Position at June 30, 2016 consists of amounts related to pensions (see Note 13).

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

	Governmental Activities	General Fund
Property taxes levied prior to their due date	\$ 881,928	\$ 881,928
Property tax receivables not collected within 60 days of the end of the fiscal year	-	49,985
Donations received in advance of eligible expenditures being made	1,025	1,025
Deferred amounts related to pensions (see Note 13)	<u>117,968</u>	<u>-</u>
Total deferred inflows of resources	<u>\$ 1,000,921</u>	<u>\$ 932,938</u>

**NOTE 10 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments of \$4,271,874 at June 30, 2016 consist of the following:

General fund:	
Balance of the 2016 spring tax warrant due to the Holderness School District	\$ 3,965,255
Agency fund:	
Balance of expendable trust funds due to the Holderness School District	<u>306,619</u>
Total intergovernmental payables due	<u>\$ 4,271,874</u>

**TOWN OF HOLDERNESS, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**NOTE 11 – CAPITAL LEASE OBLIGATIONS**

The Town has entered into certain capital lease agreements 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, 2016
Capital lease obligations:		
Saber pumper truck	1.24%	\$ 29,334

The annual requirements to amortize the capital lease payable as of June 30, 2016, including interest payments, are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2017	
	\$ 29,697
Less: interest	(363)
Present value of remaining payments	\$ 29,334

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, 2016:

	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year
General obligation bond payable	\$ 175,000	\$ -	\$ (58,333)	\$ 116,667	\$ 58,334
Pension related debt	1,162,082	199,878	-	1,361,960	-
Capital lease	58,667	-	(29,333)	29,334	29,334
Compensated absences	48,831	1,402	-	50,233	-
Total long-term liabilities	\$ 1,444,580	\$ 201,280	\$ (87,666)	\$ 1,558,194	\$ 87,668

Long-term obligations are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate	Outstanding at June 30, 2016	Current Portion
General obligation bond payable:						
Transfer station	\$ 350,000	2011	2018	2.37%	\$ 116,667	\$ 58,334
Capital lease:						
Saber pumper truck	\$ 88,000	2013	2017	1.24%	29,334	29,334
Compensated absences payable					50,233	-
Total					\$ 196,234	\$ 87,668

The annual requirements to amortize the general obligation bond outstanding as of June 30, 2016, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2017	\$ 58,334	\$ 2,765	\$ 61,099
2018	58,333	1,382	59,715
Totals	\$ 116,667	\$ 4,147	\$ 120,814

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.



**TOWN OF HOLDERNESS, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**NOTE 13 – 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 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. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have 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 2016, the Town contributed 26.38% for police, 29.16% for fire fighters, and 11.17% for all other employees. The contribution requirements for the fiscal years 2014, 2015, and 2016 were \$116,666, \$130,739, and \$137,648, respectively, which were paid in full in each year.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** - At June 30, 2016 the Town reported a liability of \$1,361,960 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2015, the Town's proportion was 0.03437966% which was an increase of 0.0034204% from its proportion measured as of June 30, 2014.

**TOWN OF HOLDERNESS, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

For the year ended June 30, 2016, the Town recognized pension expense of \$235,519. At June 30, 2016 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	\$ 37,261	\$ 117,968
Differences between expected and actual experience	29,887	-
Net difference between projected and actual investment earnings on pension plan investments	36,400	-
Contributions subsequent to the measurement date	104,590	-
Total	<u>\$ 208,138</u>	<u>\$ 117,968</u>

The \$104,590 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2016	\$ (9,703)
2017	(9,703)
2018	(9,703)
2019	35,631
2020	7,899
Totals	<u>\$ 14,421</u>

**Actuarial Assumptions:** The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, using the following actuarial assumptions which, accordingly apply to 2015 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, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2010.

**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.

**TOWN OF HOLDERNESS, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

Following is a table presenting target allocations and long-term rates of return for 2015:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2015
Large Cap Equities	22.50%	3.00%
Small/Mid Cap Equities	7.50%	3.00%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.00%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50	(0.70%)
Short Duration	2.50	(1.00%)
Global Multi-Sector Fixed Income	11.00	0.28%
Unconstrained Fixed Income	7.00	0.16%
Total fixed income	25.00%	
Private equity	5.00%	5.50%
Private debt	5.00%	4.50%
Real estate	10.00%	3.50%
Opportunistic	5.00%	2.75%
Total alternative investments	25.00%	
Total	100.00%	

**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, 2015	\$ 1,792,843	\$ 1,361,960	\$ 994,629
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 separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

**TOWN OF HOLDERNESS, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

**NOTE 14 – 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, 2016 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.

**NOTE 15 – ENCUMBRANCES**

Encumbrances outstanding at June 30, 2016 are as follows:

General fund:	
Health	<u>\$ 1,582</u>

**NOTE 16 – GOVERNMENTAL ACTIVITIES NET POSITION**

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2016 include the following:

Net investment in capital assets:	
Net property, buildings, and equipment	\$ 4,571,132
Less:	
General obligation bond payable	(116,667)
Capital lease payable	(29,334)
Total net investment in capital assets	<u>4,425,131</u>
Restricted for perpetual care:	
Expendable	9,338
Nonexpendable	4,750
Total restricted net position	<u>14,088</u>
Unrestricted	<u>1,160,500</u>
Total net position	<u>\$ 5,599,719</u>

**NOTE 17 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at June 30, 2016 include the following:

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>Nonspendable:</b>			
Prepaid items	\$ 240	\$ -	\$ 240
Permanent fund - principal balance	-	4,750	4,750
Total nonspendable fund balance	<u>240</u>	<u>\$ 4,750</u>	<u>\$ 4,990</u>
<b>Restricted:</b>			
Permanent fund - income balance	-	9,338	9,338

*(Continued)*

**TOWN OF HOLDERNESS, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2016**

*Governmental fund balances continued:*

	General Fund	Nonmajor Funds	Total Governmental Funds
<b>Committed:</b>			
Expendable trust	871,142	-	871,142
Voted appropriations - March 2016	195,000	-	195,000
Nonlapsing appropriations	16,279	-	16,279
Police special detail	-	46,123	46,123
Recreation revolving	-	27,709	27,709
Total committed fund balance	1,082,421	73,832	1,156,253
<b>Assigned:</b>			
Encumbrances	1,582	-	1,582
<b>Unassigned</b>	1,377,531	-	1,377,531
Total governmental fund balances	\$ 2,461,774	\$ 87,920	\$ 2,549,694

**NOTE 18 – PRIOR PERIOD ADJUSTMENT**

Net position at July 1, 2015 was restated to give retroactive effect to the following prior period adjustment:

	Fiduciary Funds (Private Purpose)
To adjust for scholarships previously recorded in agency funds	\$ 149,727
Net position, as previously reported	-
Net position, as restated	\$ 149,727

**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 2016, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) 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 (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2015 to June 30, 2016 by Primex<sup>3</sup>, 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, 2016 was \$19,030 for workers' compensation and \$30,769 for property/liability.

**NOTE 20 – CONTINGENT LIABILITIES**

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 December 30, 2016, the date the June 30, 2016 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, 2016*

<u>Fiscal Year</u> <u>End</u>	<u>Valuation</u> <u>Date</u>	<u>Town's</u> <u>Proportion of Net</u> <u>Pension Liability</u>	<u>Proportionate</u> <u>Share of Net</u> <u>Pension Liability</u>	<u>Covered</u> <u>Payroll</u>	<u>Town Proportionate</u> <u>Share of Net Pension</u> <u>Liability as a Percentage</u> <u>of Covered Payroll</u>	<u>Plan Fiduciary</u> <u>Net Position</u> <u>as a Percentage</u> <u>of the Total</u> <u>Pension Liability</u>
June 30, 2016	July 1, 2015	0.03437966%	\$ 1,361,960	\$ 565,632	240.79%	65.47%
June 30, 2015	July 1, 2014	0.03095926%	\$ 1,162,082	\$ 628,603	184.87%	59.81%
June 30, 2014	July 1, 2013	0.03230503%	\$ 1,390,339	\$ 652,344	213.13%	66.32%

The note 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, 2016*

<u>Fiscal Year</u> <u>End</u>	<u>Valuation</u> <u>Date</u>	<u>Contractually</u> <u>Required</u> <u>Contribution</u>	<u>Actual</u> <u>Contribution</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Covered</u> <u>Payroll</u>	<u>Contributions as</u> <u>a Percentage of</u> <u>Covered Payroll</u>
June 30, 2016	July 1, 2015	\$ 115,340	\$ 115,340	\$ -	\$ 565,632	20.39%
June 30, 2015	July 1, 2014	\$ 100,439	\$ 100,439	\$ -	\$ 628,603	15.98%
June 30, 2014	July 1, 2013	\$ 80,328	\$ 80,328	\$ -	\$ 652,344	12.31%

The note 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, 2016**

***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, 2016.

**Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2015:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	25 Years beginning July 1, 2015 (30 years beginning July 1, 2009)
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, 2016*

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,712,624	\$ 1,717,581	\$ 4,957
Land use change	81,000	81,000	-
Yield	10,000	10,936	936
Excavation	-	104	104
Payment in lieu of taxes	1,000	1,500	500
Interest and penalties on taxes	42,000	39,258	(2,742)
Total from taxes	1,846,624	1,850,379	3,755
Licenses, permits, and fees:			
Business licenses, permits, and fees	10,500	9,588	(912)
Motor vehicle permit fees	375,000	472,923	97,923
Building permits	6,900	10,024	3,124
Other	18,500	11,864	(6,636)
Total from licenses, permits, and fees	410,900	504,399	93,499
Intergovernmental:			
State:			
Meals and rooms distribution	101,083	101,083	-
Highway block grant	69,458	71,134	1,676
State and federal forest land reimbursement	9	4,709	4,700
Other	-	45,000	45,000
Federal:			
Other	5,000	-	(5,000)
Total from intergovernmental	175,550	221,926	46,376
Charges for services:			
Income from departments	120,000	164,273	44,273
Miscellaneous:			
Interest on investments	15,120	16,614	1,494
Insurance dividends and reimbursements	24,855	42,252	17,397
Other	145	21,304	21,159
Total from miscellaneous	40,120	80,170	40,050
Other financing sources:			
Transfers in	328,712	288,350	(40,362)
Total revenues and other financing sources	2,921,906	\$ 3,109,497	\$ 187,591
Unassigned fund balance used to reduce tax rate	287,306		
Total revenues, other financing sources, and use of fund balance	\$ 3,209,212		

*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, 2016*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 146,589	\$ 131,637	\$ -	\$ 14,952
Election and registration	-	77,000	75,138	-	1,862
Financial administration	3,450	67,000	67,986	-	2,464
Revaluation of property	-	43,600	33,039	-	10,561
Legal	-	15,000	9,429	-	5,571
Personnel administration	5,426	370,688	359,320	-	16,794
Planning and zoning	-	20,550	14,349	-	6,201
General government buildings	-	17,500	14,616	-	2,884
Cemeteries	400	4,750	6,524	-	(1,374)
Insurance, not otherwise allocated	-	31,769	30,769	-	1,000
Other	-	3,500	4,663	-	(1,163)
Total general government	9,276	797,946	747,470	-	59,752
Public safety:					
Police	-	433,700	428,989	-	4,711
Ambulance	-	48,146	47,471	-	675
Fire	5,655	167,800	172,983	-	472
Building inspection	-	15,000	10,016	-	4,984
Emergency management	4,213	1,800	9,809	-	(3,796)
Total public safety	9,868	666,446	669,268	-	7,046
Highways and streets:					
Highways and streets	1,846	305,500	272,433	-	34,913
Street lighting	-	5,505	5,639	-	(134)
Total highways and streets	1,846	311,005	278,072	-	34,779
Sanitation:					
Solid waste disposal	-	166,000	177,405	-	(11,405)
Other	-	3,800	3,908	-	(108)
Total sanitation	-	169,800	181,313	-	(11,513)
Health:					
Pest control	-	1,500	1,500	-	-
Health agencies	-	29,900	28,319	1,582	(1)
Total health	-	31,400	29,819	1,582	(1)
Welfare:					
Direct assistance	-	25,000	4,190	-	20,810
Culture and recreation:					
Parks and recreation	-	57,700	53,804	-	3,896
Library	-	124,800	115,688	-	9,112
Patriotic purposes	-	2,500	760	-	1,740
Other	-	8,750	7,796	-	954
Total culture and recreation	-	193,750	178,048	-	15,702
Conservation	-	4,000	2,888	-	1,112
Debt service:					
Principal of long-term debt	-	87,667	87,666	-	1
Interest on long-term debt	-	4,875	4,919	-	(44)
Total debt service	-	92,542	92,585	-	(43)

(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, 2016*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Capital outlay	27,500	515,323	480,507	-	62,316
Other financing uses:					
Transfers out	-	402,000	398,541	-	3,459
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 48,490	\$ 3,209,212	\$ 3,062,701	\$ 1,582	\$ 193,419

**SCHEDULE 3**  
**TOWN OF HOLDERNESS, NEW HAMPSHIRE**  
**Major General Fund**  
**Schedule of Changes in Unassigned Fund Balance**  
**For the Fiscal Year Ended June 30, 2016**

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 1,522,431
Changes:		
Unassigned fund balance used to reduce 2015-2016 tax rate		(287,306)
2015-2016 Budget summary:		
Revenue surplus (Schedule 1)	\$ 187,591	
Unexpended balance of appropriations (Schedule 2)	<u>193,419</u>	
2015-2016 Budget surplus		381,010
Decrease in nonspendable fund balance		22,660
Increase in committed fund balance		<u>(211,279)</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis Exhibit D)		1,427,516
<b>Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:</b>		
To comply with generally accepted accounting principles by deferring property taxes not collected within 60 days of fiscal year-end		<u>(49,985)</u>
Unassigned fund balance, ending (GAAP basis Exhibit C-1)		<u><u>\$ 1,377,531</u></u>

*SCHEDULE 4*  
**TOWN OF HOLDERNESS, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
**Combining Balance Sheet**  
*June 30, 2016*

	Special Revenue Funds		Permanent	
	Police	Recreation	Fund	Total
	Detail	Revolving		
<b>ASSETS</b>				
Cash and cash equivalents	\$ 46,123	\$ 27,709	\$ -	\$ 73,832
Investments	-	-	14,088	14,088
Total assets	<u>\$ 46,123</u>	<u>\$ 27,709</u>	<u>\$ 14,088</u>	<u>\$ 87,920</u>
<b>FUND BALANCES</b>				
Nonspendable	\$ -	\$ -	\$ 4,750	\$ 4,750
Restricted	-	-	9,338	9,338
Committed	46,123	27,709	-	73,832
Total fund balances	<u>\$ 46,123</u>	<u>\$ 27,709</u>	<u>\$ 14,088</u>	<u>\$ 87,920</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, 2016**

	Special Revenue Funds			
	Police	Recreation	Permanent	
	Detail	Revolving	Fund	Total
<b>Revenues:</b>				
Charges for services	\$ 17,786	\$ 22,263	\$ -	\$ 40,049
Miscellaneous	-	-	43	43
Total revenues	<u>17,786</u>	<u>22,263</u>	<u>43</u>	<u>40,092</u>
<b>Expenditures:</b>				
Current:				
Public safety	11,612	-	-	11,612
Culture and recreation	-	14,178	-	14,178
Total expenditures	<u>11,612</u>	<u>14,178</u>	<u>-</u>	<u>25,790</u>
Net change in fund balances	6,174	8,085	43	14,302
Fund balances, beginning	39,949	19,624	14,045	73,618
Fund balances, ending	<u>\$ 46,123</u>	<u>\$ 27,709</u>	<u>\$ 14,088</u>	<u>\$ 87,920</u>