

**TOWN OF BRISTOL, NEW HAMPSHIRE**

**Annual Financial Statements**

**For the Year Ended December 31, 2015**

**Town of Bristol, New Hampshire**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Bristol, New Hampshire

Additional Offices:  
Nashua, NH  
Andover, MA  
Greenfield, MA  
Ellsworth, ME

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bristol, New Hampshire, as of and for the year ended December 31, 2015, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no

such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our (1) qualified audit opinion on the governmental activities, and (2) unmodified audit opinion on the business-type activities, each major fund and aggregate remaining fund information.

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

Management has not included any of the Town's capital assets acquired, nor the accumulated depreciation and depreciation expense related to those assets in the governmental activities. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

### **Qualified Opinion on Governmental Activities**

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion in the Governmental Activities paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Town of Bristol, New Hampshire, as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Opinion on Business-type Activities, Major Funds and Aggregate Remaining Fund Information**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Bristol, New Hampshire, as of December 31, 2015, and the respective changes in financial position where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### Required Supplementary Information

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

*Melanson Heath*

September 8, 2016

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

As management of the Town of Bristol, New Hampshire we offer readers this narrative overview and analysis of the financial activities of the Town of Bristol for the year ended December 31, 2015.

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

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

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

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

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

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

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

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

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

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

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

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

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and wastewater operations, both of which are considered to be major funds.

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

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

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

## B. FINANCIAL HIGHLIGHTS

- As of the close of the current year, the total of assets exceeded liabilities by \$272,797 (i.e., net position), a change of \$545,414 in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$1,213,156, a change of \$230,178 in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$577,878 a change of \$198,278 in comparison to the prior year.
- Total long-term debt (i.e., bonds and notes payable) at the close of the current year was \$2,364,593, a change of \$(228,454) in comparison to the prior year.

## C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current year and prior years.

### NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 4,692,838	\$ 4,551,258	\$ 1,329,448	\$ 1,173,832	\$ 6,022,286	\$ 5,725,090
Deferred outflows	316,213	-	63,566	-	379,779	-
Capital assets	-	-	4,009,649	4,291,594	4,009,649	4,291,594
Total assets	5,009,051	4,551,258	5,402,663	5,465,426	10,411,714	10,016,684
Current liabilities	3,267,713	3,418,067	107,698	89,172	3,375,411	3,507,239
Noncurrent liabilities	4,394,717	1,805,028	1,877,126	1,370,945	6,271,843	3,175,973
Deferred Inflows	414,035	33,029	77,628	-	491,663	33,029
Total liabilities	8,076,465	5,256,124	2,062,452	1,460,117	10,138,917	6,716,241
Net position:						
Net investment in capital assets	-	-	2,522,153	2,699,250	2,522,153	2,699,250
Restricted	458,116	439,320	-	-	458,116	439,320
Unrestricted	<u>(3,525,530)</u>	<u>(1,144,186)</u>	<u>818,058</u>	<u>1,306,059</u>	<u>(2,707,472)</u>	<u>161,873</u>
Total net position	\$ <u>(3,067,414)</u>	\$ <u>(704,866)</u>	\$ <u>3,340,211</u>	\$ <u>4,005,309</u>	\$ <u>272,797</u>	\$ <u>3,300,443</u>

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues						
Charges for services	\$ 670,732	\$ 743,601	\$ 817,697	\$ 804,316	\$ 1,488,429	\$ 1,547,917
Operating grants and contributions	98,477	295,395	43,068	4,556	141,545	299,951
Capital grants and contributions	5,157	135,153	-	-	5,157	135,153
General revenues:						
Property taxes	3,428,706	3,382,444	-	-	3,428,706	3,382,444
Motor vehicle permits	556,808	515,605	-	-	556,808	515,605
Penalties and interest on taxes	128,824	96,585	-	-	128,824	96,585
Grants and contributions not restricted to specific programs	247,988	246,312	-	-	247,988	246,312
Investment income	5,609	3,989	957	562	6,566	4,551
Miscellaneous	50,434	40,459	-	1,727	50,434	42,186
Total revenues	<u>5,192,735</u>	<u>5,459,543</u>	<u>861,722</u>	<u>811,161</u>	<u>6,054,457</u>	<u>6,270,704</u>
Expenses:						
General government	914,205	951,729	-	-	914,205	951,729
Public safety	2,143,517	2,483,714	-	-	2,143,517	2,483,714
Highway and streets	773,875	895,243	-	-	773,875	895,243
Sanitation	236,039	244,683	-	-	236,039	244,683
Health	59,401	62,866	-	-	59,401	62,866
Welfare	33,929	40,266	-	-	33,929	40,266
Culture and recreation	329,820	373,470	-	-	329,820	373,470
Conservation	19,527	1,345	-	-	19,527	1,345
Economic development	3,950	3,000	-	-	3,950	3,000
Interest on long-term debt	40,859	41,544	-	-	40,859	41,544
Water services	-	-	490,575	439,849	490,575	439,849
Wastewater services	-	-	463,816	590,292	463,816	590,292
Total expenses	<u>4,555,122</u>	<u>5,097,860</u>	<u>954,391</u>	<u>1,030,141</u>	<u>5,509,513</u>	<u>6,128,001</u>
Change in net position before transfers and permanent fund contributions	637,613	361,683	(92,669)	(218,980)	544,944	142,703
Transfers in (out)	(25,619)	(21,512)	25,619	21,512	-	-
Permanent fund contributions	470	-	-	-	470	-
Change in net position	612,464	340,171	(67,050)	(197,468)	545,414	142,703
Net position - beginning of year as restated *	<u>(3,679,878)</u>	<u>(1,045,037)</u>	<u>3,407,261</u>	<u>4,202,777</u>	<u>(272,617)</u>	<u>3,157,740</u>
Net position - end of year	<u>\$ (3,067,414)</u>	<u>\$ (704,866)</u>	<u>\$ 3,340,211</u>	<u>\$ 4,005,309</u>	<u>\$ 272,797</u>	<u>\$ 3,300,443</u>

\* Beginning net position has been restated for the implementation of Government Accounting Standards Board Statement 68, *Accounting and Financial Reporting For Pensions*.

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent year, total net position was \$272,797, a change of \$545,414 from the prior year.

The largest portion of net position, \$2,522,153, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$458,116, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(2,707,611) primarily resulting from the Town's unfunded net pension liability.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$612,464. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 206,086
Nonmajor funds activities	24,092
Other	<u>382,286</u>
Total	<u>\$ 612,464</u>

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$(67,050). Key elements of this change are as follows:

Water services	\$ (62,645)
Wastewater services	<u>(4,405)</u>
Total	<u>\$ (67,050)</u>

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

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$1,213,156, a change of \$230,178 in comparison to the prior year. Key elements of this change are as follows:

General fund operations	\$ 206,086
Nonmajor activities	<u>24,092</u>
Total	<u>\$ 230,178</u>

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$577,878, while total fund balance was \$832,584. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 577,878	\$ 379,600	\$ 198,278	11.8%
Total fund balance	\$ 832,584	\$ 626,498	\$ 206,086	17.1%

The fund balance of the general fund changed by \$206,086 during the current year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 26,389
Expenditures less than budget	208,807
Use of fund balance as a funding source	(142,000)
Tax collections as compared to budget	43,579
Current year encumbrance spent in subsequent year over prior year encumbrances	(13,716)
Change in capital reserve funds	21,524
Other	<u>61,503</u>
Total	<u>\$ 206,086</u>

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

	<u>12/31/15</u>	<u>12/31/14</u>	<u>Change</u>
Capital reserves	\$ <u>132,377</u>	\$ <u>110,853</u>	\$ <u>21,524</u>
Total	<u>\$ 132,377</u>	<u>\$ 110,853</u>	<u>\$ 21,524</u>

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

Unassigned net position of the enterprise funds at the end of the year amounted to \$818,058, a change of \$(488,001) in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

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

There were no differences between the original budget and the final amended budget.

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

**Capital assets.** Total investment in capital assets for business-type activities at year end amounted to \$4,009,649 (net of accumulated depreciation), a change of \$(281,945) from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

There were no capital asset events during the current year.

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

**Long-term debt.** At the end of the current year, total long-term debt outstanding was \$2,364,593, all of which was backed by the full faith and credit of the government.

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

#### **REQUESTS FOR INFORMATION**

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

Office of Town Administrator  
Town of Bristol  
230 Lake Street  
Bristol, New Hampshire 03222

TOWN OF BRISTOL, NEW HAMPSHIRE

STATEMENT OF NET POSITION

DECEMBER 31, 2015

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 3,395,621	\$ 411,318	\$ 3,806,939
Restricted cash	122,377	876,537	998,914
Investments	63,660	-	63,660
Receivables, net of allowance for uncollectibles:			
Property taxes	491,601	-	491,601
User fees	85,616	196,882	282,498
Intergovernmental	27,872	1,770	29,642
Internal balances	246,691	(246,691)	-
Other assets	23,289	48,802	72,091
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	236,111	-	236,111
Intergovernmental	-	40,830	40,830
Capital assets:			
Land and construction in progress	-	9,894	9,894
Other assets, net of accumulated depreciation	-	3,999,755	3,999,755
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>316,213</u>	<u>63,566</u>	<u>379,779</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	5,009,051	5,402,663	10,411,714
<b>LIABILITIES</b>			
Current:			
Accounts payable	52,774	17,514	70,288
Accrued liabilities	40,496	20,641	61,137
Due to school district	2,396,707	-	2,396,707
Tax refunds payable	444,304	-	444,304
Due to other governments	439	-	439
Other current liabilities	21,450	-	21,450
Current portion of long-term liabilities:			
Bonds and notes payable	163,335	66,793	230,128
Other liabilities	148,208	2,750	150,958
Noncurrent:			
Bonds and notes payable, net of current portion	879,003	1,255,462	2,134,465
OPEB liability	175,187	30,518	205,705
Net pension liability	2,817,586	566,400	3,383,986
Other liabilities, net of current portion	522,941	24,746	547,687
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>414,035</u>	<u>77,628</u>	<u>491,663</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	8,076,465	2,062,452	10,138,917
<b>NET POSITION</b>			
Net investment in capital assets	-	2,522,153	2,522,153
Restricted for:			
Special purposes	403,531	-	403,531
Permanent funds:			
Nonexpendable	51,370	-	51,370
Expendable	3,215	-	3,215
Unrestricted	<u>(3,525,530)</u>	<u>818,058</u>	<u>(2,707,472)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (3,067,414)</u>	<u>\$ 3,340,211</u>	<u>\$ 272,797</u>

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

TOWN OF BRISTOL, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015

	Expenses	Program Revenues			Net(Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 914,205	\$ 81,503	\$ 4,060	\$ -	\$ (828,642)	\$ -	\$ (828,642)
Public safety	2,143,517	431,652	15,441	-	(1,696,424)	-	(1,696,424)
Highways and streets	773,875	6,045	24,000	5,157	(738,673)	-	(738,673)
Sanitation	236,039	133,794	42,587	-	(59,658)	-	(59,658)
Health	59,401	-	-	-	(59,401)	-	(59,401)
Welfare	33,929	158	-	-	(33,771)	-	(33,771)
Culture and recreation	329,820	17,580	12,389	-	(299,851)	-	(299,851)
Conservation	19,527	-	-	-	(19,527)	-	(19,527)
Economic development	3,950	-	-	-	(3,950)	-	(3,950)
Interest	40,859	-	-	-	(40,859)	-	(40,859)
Total Governmental Activities	4,555,122	670,732	98,477	5,157	(3,780,756)	-	(3,780,756)
<b>Business-Type Activities:</b>							
Water services	490,575	430,077	-	-	-	(60,498)	(60,498)
Wastewater services	463,816	387,620	43,068	-	-	(33,128)	(33,128)
Total Business-Type Activities	954,391	817,697	43,068	-	-	(93,626)	(93,626)
Total	\$ 5,509,513	\$ 1,488,429	\$ 141,545	\$ 5,157	(3,780,756)	(93,626)	(3,874,382)
<b>General Revenues, Transfers, and Contributions:</b>							
Property taxes					3,428,706	-	3,428,706
Motor vehicle permits					556,808	-	556,808
Penalties, interest, and other taxes					128,824	-	128,824
Grants and contributions not restricted to specific programs					247,988	-	247,988
Investment income					5,609	957	6,566
Miscellaneous					50,434	-	50,434
Transfers, net					(25,619)	25,619	-
Permanent fund contributions					470	-	470
Total general revenues, transfers, and contributions					4,393,220	26,576	4,419,796
Change in Net Position					612,464	(67,050)	545,414
<b>Net Position:</b>							
Beginning of year, as restated					(3,679,878)	3,407,261	(272,617)
End of year					\$ (3,067,414)	\$ 3,340,211	\$ 272,797

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

TOWN OF BRISTOL, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2015

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 3,015,116	\$ 380,505	\$ 3,395,621
Investments	-	63,660	63,660
Restricted cash	122,377	-	122,377
Receivables:			
Property taxes	802,678	-	802,678
User fees	85,616	-	85,616
Intergovernmental	-	27,872	27,872
Due from other funds	324,374	14,090	338,464
Other assets	911	-	911
TOTAL ASSETS	<u>\$ 4,351,072</u>	<u>\$ 486,127</u>	<u>\$ 4,837,199</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 52,774	\$ -	\$ 52,774
Accrued liabilities	23,383	-	23,383
Tax refunds payable	444,304	-	444,304
Due to other funds	14,090	77,683	91,773
Due to school district	2,396,707	-	2,396,707
Due to other governments	439	-	439
Other liabilities	21,450	-	21,450
TOTAL LIABILITIES	2,953,147	77,683	3,030,830
<b>DEFERRED INFLOWS OF RESOURCES</b>	565,341	27,872	593,213
<b>FUND BALANCES</b>			
Nonspendable	-	51,370	51,370
Restricted	-	422,092	422,092
Committed	132,377	-	132,377
Assigned	122,329	-	122,329
Unassigned	577,878	(92,890)	484,988
TOTAL FUND BALANCES	<u>832,584</u>	<u>380,572</u>	<u>1,213,156</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 4,351,072</u>	<u>\$ 486,127</u>	<u>\$ 4,837,199</u>

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

TOWN OF BRISTOL, NEW HAMPSHIRE  
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
 BALANCES TO NET POSITION OF GOVERNMENTAL  
 ACTIVITIES IN THE STATEMENT OF NET POSITION

DECEMBER 31, 2015

<b>Total governmental fund balances</b>	\$ 1,213,156
• Tax deeded property in governmental activities are not financial resources and, therefore, are not reported in the funds.	22,378
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	490,375
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(17,113)
• Long-term liabilities, including bonds and lease payable, compensated absences, and landfill liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(4,776,210)
<b>Net position of governmental activities</b>	<u>\$ (3,067,414)</u>

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

TOWN OF BRISTOL, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues:</b>			
Property taxes	\$ 3,410,815	\$ -	\$ 3,410,815
Penalties, interest, and other taxes	128,810	14	128,824
Charges for services	471,544	61,276	532,820
Intergovernmental	283,213	68,409	351,622
Licenses and permits	694,720	-	694,720
Investment income	107	5,355	5,462
Contributions	-	470	470
Miscellaneous	<u>31,435</u>	<u>19,146</u>	<u>50,581</u>
Total Revenues	5,020,644	154,670	5,175,314
<b>Expenditures:</b>			
Current:			
General government	927,149	7,218	934,367
Public safety	1,930,707	111,214	2,041,921
Highways and streets	773,869	-	773,869
Sanitation	233,240	-	233,240
Health	59,401	-	59,401
Welfare	33,929	-	33,929
Culture and recreation	311,791	17,146	328,937
Conservation	19,527	-	19,527
Economic development	3,950	-	3,950
Debt service	434,930	-	434,930
Capital outlay	<u>152,117</u>	<u>-</u>	<u>152,117</u>
Total Expenditures	<u>4,880,610</u>	<u>135,578</u>	<u>5,016,188</u>
Excess (deficiency) of revenues over expenditures	140,034	19,092	159,126
<b>Other Financing Sources (Uses):</b>			
Capital lease proceeds	96,671	-	96,671
Transfers in	5,760	5,000	10,760
Transfers out	<u>(36,379)</u>	<u>-</u>	<u>(36,379)</u>
Total Other Financing Sources (Uses)	<u>66,052</u>	<u>5,000</u>	<u>71,052</u>
Change in fund balance	206,086	24,092	230,178
Fund Equity, at Beginning of Year, as restated	<u>626,498</u>	<u>356,480</u>	<u>982,978</u>
Fund Equity, at End of Year	<u>\$ 832,584</u>	<u>\$ 380,572</u>	<u>\$ 1,213,156</u>

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

TOWN OF BRISTOL, NEW HAMPSHIRE

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2015

<b>Net changes in fund balances - total governmental funds</b>	\$ 230,178
<ul style="list-style-type: none"> <li>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (e.g., property taxes) differ between the two statements. This amount represents the net change in deferred revenue.</li> </ul>	17,890
<ul style="list-style-type: none"> <li>The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <ul style="list-style-type: none"> <li>Repayments of debt on bonds and notes payable</li> <li>Repayments of capital leases</li> <li>Issuance of capital leases</li> </ul> </li> </ul>	163,335 224,387 (96,671)
<ul style="list-style-type: none"> <li>In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li> </ul>	6,349
<ul style="list-style-type: none"> <li>Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <ul style="list-style-type: none"> <li>Compensated absences</li> <li>OPEB</li> <li>Net pension liability</li> </ul> </li> </ul>	8,531 (29,012) <u>87,477</u>
<b>Change in net position of governmental activities</b>	<b>\$ <u>612,464</u></b>

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

TOWN OF BRISTOL, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2015

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
<b>Revenues and other sources:</b>				
Property taxes	\$ 3,367,236	\$ 3,367,236	\$ 3,367,236	\$ -
Interest, penalties, and other taxes	121,038	121,038	128,810	7,772
Charges for services	471,277	471,277	472,268	991
Intergovernmental	323,580	323,580	285,828	(37,752)
Licenses and permits	632,850	632,850	694,720	61,870
Investment income	63	63	147	84
Miscellaneous	45,232	45,232	31,288	(13,944)
Other financing sources:				
Transfers in	41,975	41,975	49,343	7,368
Use of fund balance	<u>142,000</u>	<u>142,000</u>	<u>142,000</u>	<u>-</u>
Total Revenues	5,145,251	5,145,251	5,171,640	26,389
<b>Expenditures and other uses:</b>				
Current:				
General government	969,072	969,072	885,600	83,472
Public safety	1,938,326	1,938,326	1,969,242	(30,916)
Highways and streets	792,703	792,703	750,193	42,510
Sanitation	254,864	254,864	233,240	21,624
Health	58,923	58,923	34,959	23,964
Welfare	64,115	64,115	59,401	4,714
Culture and recreation	326,074	326,074	322,334	3,740
Conservation	6,946	6,946	19,527	(12,581)
Economic development	3,950	3,950	3,950	-
Debt service	479,618	479,618	412,928	66,690
Capital outlay	180,660	180,660	175,070	5,590
Other financing uses:				
Transfers out	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
Total Expenditures	<u>5,145,251</u>	<u>5,145,251</u>	<u>4,936,444</u>	<u>208,807</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>235,196</u>	\$ <u>235,196</u>

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

TOWN OF BRISTOL, NEW HAMPSHIRE  
 PROPRIETARY FUNDS  
 STATEMENT OF NET POSITION  
 DECEMBER 31, 2015

	Business-Type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Total
<b>ASSETS</b>			
Current:			
Cash and short-term investments	\$ 228,225	\$ 183,093	\$ 411,318
Restricted cash	665,689	210,848	876,537
User fees, net of allowance for uncollectibles	96,197	100,685	196,882
Intergovernmental receivables	-	1,770	1,770
Other assets	48,328	474	48,802
Total current assets	1,038,439	496,870	1,535,309
Noncurrent:			
Intergovernmental	-	40,830	40,830
Capital assets:			
Land and construction in progress	9,894	-	9,894
Other capital assets, net of accumulated depreciation	1,802,422	2,197,333	3,999,755
Total noncurrent assets	1,812,316	2,238,163	4,050,479
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	33,496	30,070	63,566
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	2,884,251	2,765,103	5,649,354
<b>LIABILITIES</b>			
Current:			
Accounts payable	8,464	9,050	17,514
Accrued liabilities	11,973	8,668	20,641
Due to other funds	24,661	222,030	246,691
Current portion of long-term liabilities:			
Bonds payable	43,836	22,957	66,793
Other liabilities	1,375	1,375	2,750
Total current liabilities	90,309	264,080	354,389
Noncurrent:			
Bonds payable, net of current portion	696,330	559,132	1,255,462
OPEB liability	15,259	15,259	30,518
Net pension liability	298,463	267,937	566,400
Other liabilities, net of current portion	12,373	12,373	24,746
Total noncurrent liabilities	1,022,425	854,701	1,877,126
<b>DEFERRED INFLOWS OF RESOURCES</b>	40,906	36,722	77,628
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	1,153,640	1,155,503	2,309,143
<b>NET POSITION</b>			
Net investment in capital assets	1,072,150	1,450,003	2,522,153
Unrestricted	658,461	159,597	818,058
<b>TOTAL NET POSITION</b>	\$ 1,730,611	\$ 1,609,600	\$ 3,340,211

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

TOWN OF BRISTOL, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-Type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Total
<b>Operating Revenues:</b>			
Charges for services	\$ 430,077	\$ 387,620	\$ 817,697
Total Operating Revenues	430,077	387,620	817,697
<b>Operating Expenses:</b>			
Operating expenses	309,174	316,404	625,578
Depreciation	159,031	122,914	281,945
Total Operating Expenses	468,205	439,318	907,523
Operating Income (Loss)	(38,128)	(51,698)	(89,826)
<b>Nonoperating Revenues (Expenses):</b>			
Intergovernmental revenue	-	43,068	43,068
Investment income	733	224	957
Interest expense	(22,370)	(24,498)	(46,868)
Total Nonoperating Revenues (Expenses), Net	(21,637)	18,794	(2,843)
Income (Loss) Before Transfers	(59,765)	(32,904)	(92,669)
<b>Transfers:</b>			
Transfers in	-	31,379	31,379
Transfers out	(2,880)	(2,880)	(5,760)
Change in Net Position	(62,645)	(4,405)	(67,050)
Net Position at Beginning of Year, as restated *	1,793,256	1,614,005	3,407,261
Net Position at End of Year	\$ 1,730,611	\$ 1,609,600	\$ 3,340,211

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

TOWN OF BRISTOL, NEW HAMPSHIRE  
 PROPRIETARY FUNDS  
 STATEMENT OF CASH FLOWS  
 FOR THE YEAR ENDED DECEMBER 31, 2015

	Business-Type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Total
<b><u>Cash Flows From Operating Activities:</u></b>			
Receipts from customers and users	\$ 425,357	\$ 381,406	\$ 806,763
Payments to vendors and employees	(303,606)	(312,517)	(616,123)
Net Cash Provided By (Used For) Operating Activities	121,751	68,889	190,640
<b><u>Cash Flows From Noncapital Financing Activities:</u></b>			
Transfers in (out)	(2,880)	28,499	25,619
Interfund borrowing	6,292	(35,573)	(29,281)
Intergovernmental	-	1,839	1,839
Net Cash (Used For) Noncapital Financing Activities	3,412	(5,235)	(1,823)
<b><u>Cash Flows From Capital and Related Financing Activities:</u></b>			
Repayment of debt	(43,062)	(22,057)	(65,119)
Interest expense	(22,370)	(24,498)	(46,868)
Intergovernmental grants/loans	-	42,729	42,729
Net Cash (Used For) Capital and Related Financing Activities	(65,432)	(3,826)	(69,258)
<b><u>Cash Flows From Investing Activities:</u></b>			
Investment income	733	224	957
Reclass of restricted cash	(100,447)	(100,114)	(200,561)
Net Cash (Used For) Investing Activities	(99,714)	(99,890)	(199,604)
Net Change in Cash and Short-Term Investments	(39,983)	(40,062)	(80,045)
Cash and Short-Term Investments, Beginning of Year	268,208	223,155	491,363
Cash and Short-Term Investments, End of Year	\$ 228,225	\$ 183,093	\$ 411,318
<b><u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u></b>			
Operating income (loss)	\$ (38,128)	\$ (51,698)	\$ (89,826)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	159,031	122,914	281,945
Changes in assets and liabilities:			
User fees	(4,720)	(6,214)	(10,934)
Inventory	3,616	-	3,616
Deferred outflows	(20,598)	(18,491)	(39,089)
Accounts payable	8,464	9,050	17,514
Accrued expenditures	(613)	(211)	(824)
Other liabilities	808	80	888
OPEB liability	2,560	3,287	5,847
Net pension liability	12,108	10,870	22,978
Deferred inflows	(777)	(698)	(1,475)
Net Cash Provided By (Used For) Operating Activities	\$ 121,751	\$ 68,889	\$ 190,640

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

TOWN OF BRISTOL, NEW HAMPSHIRE  
 FIDUCIARY FUNDS  
 STATEMENT OF FIDUCIARY NET POSITION  
 DECEMBER 31, 2015

	Private Purpose Trust <u>Funds</u>
<b><u>ASSETS</u></b>	
Cash and short-term investments	\$ <u>235,325</u>
Total Assets	235,325
 <b><u>NET POSITION</u></b>	
Total net position held in trust	\$ <u><u>235,325</u></u>

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

TOWN OF BRISTOL, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2015

	<u>Private Purpose Trust Funds</u>
<b>Additions:</b>	
Contributions	\$ 100
Investment income	<u>173</u>
Total additions	273
<b>Deductions:</b>	
Other	<u>5,500</u>
Total deductions	<u>5,500</u>
Net increase	(5,227)
<b>Net position:</b>	
Beginning of year	<u>240,552</u>
End of year	<u>\$ 235,325</u>

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

# TOWN OF BRISTOL, NEW HAMPSHIRE

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Bristol, New Hampshire (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units, except as indicated in Note 2. The following is a summary of the more significant policies:

#### A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In year 2015, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

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

##### Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

##### Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and

services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- The *water services* fund accounts for water services provided to the Town's residents.
- The *wastewater services* fund accounts for sewerage treatment services provided to the Town's residents.

The private-purpose trust fund is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

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

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

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

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

#### E. Investments

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

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

*F. Interfund Receivables and Payables*

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

*G. Inventories*

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

*H. Capital Assets*

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

I. Compensated Absences

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

J. Long-Term Obligations

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

K. Fund Equity

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

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

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

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

paid for. This account also includes fund balance voted to be used in the subsequent year.

- 5) Unassigned funds are available to be spent in future periods.

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

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

#### L. Use of Estimates

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

## 2. Departures from Generally Accepted Accounting Principles

The significant departures of the financial statements from generally accepted accounting principles are as follows:

Capital asset acquisitions are not capitalized in the governmental activities nor is depreciation expense recorded on these assets. This is a departure from generally accepted accounting principles of the United States of America.

## 3. Stewardship, Compliance, and Accountability

### A. Budgetary Information

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

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

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

*B. Budgetary Basis*

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

*C. Budget/GAAP Reconciliation*

The budgetary data for the general and proprietary funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 5,020,644	\$ 4,880,610
Other financing sources/uses (GAAP basis)	<u>102,431</u>	<u>36,379</u>
Subtotal (GAAP Basis)	5,123,075	4,916,989
Adjust tax revenue to accrual basis	(43,579)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(136,045)
Add end-of-year appropriation carryforwards from expenditures	-	122,329
Recognize use of fund balance as funding source	142,000	-
Eliminate capital reserve activity	43,476	65,000
Other GAAP timing differences	<u>(93,332)</u>	<u>(31,829)</u>
Budgetary basis	<u>\$ 5,171,640</u>	<u>\$ 4,936,444</u>

*D. Deficit Fund Equity*

The following funds had deficits as of December 31, 2015:

Central Square Project	\$ (92,890)
Capital projects in the sewer enterprise fund	
Preliminary design sewer to lake	\$ (91,236)
Waste water plant upgrades	\$ (53,501)
Sewer plant compliance project	\$ (63,104)

The Town anticipates the deficits in these funds will be eliminated through grant reimbursements and transfers from other funds.

**4. Cash and Short-Term Investments**

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

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

As of December 31, 2015, none of the Town's bank balance of \$5,101,380 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank's trust department not in the Town's name.

**5. Investments**

*A. Credit Risk*

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

Presented below is the actual rating as of year-end for each investment of the Town:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
				<u>Aaa</u>	<u>Aa</u>	<u>Not Rated</u>
Mutual funds	\$ <u>63,660</u>	N/A	\$ <u>63,660</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Total investments	\$ <u>63,660</u>		\$ <u>63,660</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

**B. Concentration of Credit Risk**

The Town places no limit on the amount the Town may invest in any one issuer.

**C. Interest Rate Risk**

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

The Town has no securities that are sensitive to market interest rate fluctuations.

**D. Foreign Currency Risk**

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

**6. Restricted Cash**

Restricted cash represents capital reserve funds held by the trustees of trust funds as of December 31, 2015.

**7. Property Taxes Receivable**

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the year for which taxes have been levied. Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs and accrued interest. The accounts that are liened by the Town will be reclassified from property

taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Taxes receivable at December 31, 2015 consist of the following:

Real Estate			
2015			\$ 566,567
Unredeemed Taxes:			
2014	\$ 129,318		
2013	68,779		
2012 and prior	<u>30,584</u>		
			228,681
A/R Water/Sewer Liens			<u>7,430</u>
Total			<u>\$ 802,678</u>

**8. Allowance for Doubtful Accounts**

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts:

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 74,966	\$ -
User fees	\$ -	\$ 16,573

**9. Intergovernmental Receivables**

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in 2015.

## 10. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the December 31, 2015 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 324,374	\$ 14,090
Special Revenue Funds:	14,090	
Central Square Project	-	77,683
Enterprise Funds	-	<u>246,691</u>
Total	<u>\$ 338,464</u>	<u>\$ 338,464</u>

## 11. Capital Assets

Capital asset activity for the year ended December 31, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,841,560	\$ -	\$ -	\$ 2,841,560
Machinery, equipment, and furnishings	1,868,131	-	-	1,868,131
Infrastructure	<u>5,102,345</u>	<u>-</u>	<u>-</u>	<u>5,102,345</u>
Total capital assets, being depreciated	9,812,036	-	-	9,812,036
Less accumulated depreciation for:				
Buildings and improvements	(1,934,899)	(23,311)	-	(1,958,210)
Machinery, equipment, and furnishings	(1,544,958)	(61,227)	-	(1,606,185)
Infrastructure	<u>(2,050,479)</u>	<u>(197,407)</u>	<u>-</u>	<u>(2,247,886)</u>
Total accumulated depreciation	<u>(5,530,336)</u>	<u>(281,945)</u>	<u>-</u>	<u>(5,812,281)</u>
Total capital assets, being depreciated, net	4,281,700	(281,945)	-	3,999,755
Capital assets, not being depreciated:				
Land	<u>9,894</u>	<u>-</u>	<u>-</u>	<u>9,894</u>
Total capital assets, not being depreciated	<u>9,894</u>	<u>-</u>	<u>-</u>	<u>9,894</u>
Business-type activities capital assets, net	<u>\$ 4,291,594</u>	<u>\$ (281,945)</u>	<u>\$ -</u>	<u>\$ 4,009,649</u>

Depreciation expense was charged to functions of the Town as follows:

Business-Type Activities:	
Water	\$ 159,031
Waste water	<u>122,914</u>
Total depreciation expense - business-type activities	<u>\$ 281,945</u>

**12. Deferred Outflows of Resources**

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

The following is a summary of deferred outflow of resources balances as of December 31, 2015:

	<u>Entity-wide Basis</u>		<u>Fund Basis</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Proprietary Funds Water</u>	<u>Sewer</u>
Pension related:				
Net difference between projected and actual investment earnings	\$ 180,888	\$ 36,368	\$ 19,162	\$ 17,206
Contributions subsequent to the measurement date	<u>135,325</u>	<u>27,198</u>	<u>14,334</u>	<u>12,864</u>
Total	<u>\$ 316,213</u>	<u>\$ 63,566</u>	<u>\$ 33,496</u>	<u>\$ 30,070</u>

**13. Accrued Liabilities**

Accrued Liabilities represent 2015 expenditures paid on or after January 1, 2016.

**14. Tax Refunds Payable**

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

**15. Capital Lease Obligations**

The Town is the lessee of certain equipment under capital leases expiring in various years through 2021. Future minimum lease payments under the capital leases consisted of the following as of December 31, 2015:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2016	\$ 148,298
2017	98,227
2018	98,227
2019	70,759
2020	70,760
Thereafter	<u>70,461</u>
Total minimum lease payments	556,732
Less amounts representing interest	<u>42,697</u>
Present Value of Minimum Lease Payments	<u>\$ 514,035</u>

**16. Long-Term Debt**

*A. General Obligation Bonds*

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

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/15</u>
Central Street Bridge	07/31/17	4.12%	\$ 94,739
Library project	06/30/22	2.12%	621,600
Central Square project	10/15/27	2.54%	<u>325,999</u>
Total Governmental Activities:			<u>\$ 1,042,338</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/15</u>
Water			
SRF Drinking Water	05/01/31	1.10%	\$ 522,853
Central Square	10/15/27	2.54%	217,313
Sewer			
Sewerage treatment plant upgrades	02/15/39	3.55%	331,400
Wastewater plant- chlorinate	08/15/33	3.11%	142,000
Central Square	10/15/27	2.54%	<u>108,689</u>
Total Business-Type Activities:			<u>\$ 1,322,255</u>

**B. Future Debt Service**

The annual payments to retire all long-term debt outstanding as of December 31, 2015 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 163,335	\$ 25,362	\$ 188,697
2017	163,338	20,838	184,176
2018	115,967	16,314	132,281
2019	115,967	13,741	129,708
2020	115,967	11,169	127,136
2021 - 2025	313,435	22,898	336,333
2026 - 2030	<u>54,329</u>	<u>2,070</u>	<u>56,399</u>
Total	<u>\$ 1,042,338</u>	<u>\$ 112,392</u>	<u>\$ 1,154,730</u>

The general fund has been designated as the source to repay the governmental-type general obligation long-term debt outstanding as of December 31, 2015.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 66,793	\$ 35,341	\$ 102,134
2017	68,692	33,909	102,601
2018	69,515	31,766	101,281
2019	70,364	30,795	101,159
2020	72,339	29,403	101,742
2021 - 2025	387,205	120,242	507,447
2026 - 2030	355,054	72,644	427,698
2031 - 2032	<u>232,293</u>	<u>40,459</u>	<u>272,752</u>
Total	<u>\$ 1,322,255</u>	<u>\$ 394,559</u>	<u>\$ 1,716,814</u>

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

During the year ended December 31, 2015, the following changes occurred in long-term liabilities:

	Total Balance 1/1/15	Additions	Reductions	Total Balance 12/31/15	Less Current Portion	Equals Long-Term Portion 12/31/15
<b><u>Governmental Activities</u></b>						
Bonds and notes payable	\$ 1,205,673	\$ -	\$ (163,335)	\$ 1,042,338	\$ (163,335)	\$ 879,003
OPEB liability	146,175	29,012	-	175,187	-	175,187
Net pension liability	2,703,278	114,308	-	2,817,586	-	2,817,586
Other:						
Lease payable	641,751	96,671	(224,387)	514,035	(132,497)	381,538
Accrued employee benefits	165,645		(8,531)	157,114	(15,711)	141,403
Totals	<u>\$ 4,862,522</u>	<u>\$ 239,991</u>	<u>\$ (396,253)</u>	<u>\$ 4,706,260</u>	<u>\$ (311,543)</u>	<u>\$ 4,394,717</u>
<b><u>Business-Type Activities</u></b>						
Bonds and notes payable	\$ 1,387,374	\$ -	\$ (65,119)	\$ 1,322,255	\$ (66,793)	\$ 1,255,462
OPEB liability	25,398	5,120	-	30,518	-	30,518
Net pension liability	543,422	22,978	-	566,400	-	566,400
Other:						
Accrued employee benefits	25,880	1,616	-	27,496	(2,750)	24,746
Totals	<u>\$ 1,982,074</u>	<u>\$ 29,714</u>	<u>\$ (65,119)</u>	<u>\$ 1,946,669</u>	<u>\$ (69,543)</u>	<u>\$ 1,877,126</u>

**17. Deferred Inflows of Resources**

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

The following is a summary of deferred inflow of resources balances as of December 31, 2015:

	<u>Entity-wide Basis</u>		<u>Fund Basis</u>			
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Governmental Funds General Fund</u>	<u>Nonmajor</u>	<u>Proprietary Funds Water</u>	<u>Sewer</u>
Unavailable revenues	\$ 27,872	\$ -	\$ 565,341	\$ 27,872	\$ -	\$ -
Pension related:						
Differences between expected and actual experience	61,829	12,431	-	-	6,550	5,881
Net difference between projected and actual investment earnings	256,192	51,507	-	-	27,138	24,369
Changes in proportion and differences between pension contributions and proportionate share of contributions	68,142	13,690	-	-	7,218	6,472
Total	<u>\$ 414,035</u>	<u>\$ 77,628</u>	<u>\$ 565,341</u>	<u>\$ 27,872</u>	<u>\$ 40,906</u>	<u>\$ 36,722</u>

## 18. **Restricted Net Position**

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

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

## 19. **Governmental Funds - Balances**

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

The Town has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at December 31, 2015:

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

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

**Committed** - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, capital reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

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

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

Following is a breakdown of the Town's fund balances at December 31, 2015:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 51,370	\$ 51,370
Total Nonexpendable	-	51,370	51,370
Restricted			
Capital projects	-	15,207	15,207
Special revenue funds	-	403,670	403,670
Expendable permanent funds	-	3,215	3,215
Total Restricted	-	422,092	422,092
Committed			
Capital reserve funds	132,377	-	132,377
Capital project funds	-	-	-
Total Committed	132,377	-	132,377
Assigned			
Encumbrances	122,329	-	122,329
Total Assigned	122,329	-	122,329
Unassigned			
Unassigned	577,878	(92,890)	484,988
Total Unassigned	577,878	(92,890)	484,988
Total Fund Balance	\$ 832,584	\$ 380,572	\$ 1,213,156

## 20. General Fund Unassigned Fund Balance

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

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

GAAP basis balance	\$ 577,878
Unearned revenue	565,341
Allowance for doubtful accounts	(74,966)
Tax dedeed property	22,378
Accrued payroll	<u>23,383</u>
Tax Rate Setting Balance	<u>\$ 1,114,014</u>

**21. Commitments and Contingencies**

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

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

**22. Post-Employment Healthcare and Life Insurance Benefits**

**Other Post-Employment Benefits**

The Town implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The Town has elected to use the alternative measurement method instead of obtaining an actuarial valuation. Statement 45 allows employers with less than one hundred total plan members to apply a simplified alternative measurement method instead of obtaining actuarial valuations. The alternative method includes the same broad measurement steps as an actuarial valuation; however, it permits simplification of certain assumptions to make the method usable by nonspecialists. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of a required contribution as an expense on the Statement of Revenues, Expenses, and Changes in Net Position when future retirees earn their post-employment benefits, rather than when they use their post-employment benefits. To the extent that an entity does not fund its required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

The Town provides its eligible retirees, including in some cases their beneficiaries (as governed by RSA 100-A:50), the ability to purchase health, dental, and prescription insurance at the Town's group rates. Although the Town does not supplement the cost of these plans, GASB Statement 45 requires the Town to recognize the liability for the inclusion of any implicit rate subsidies afforded its retirees. This subsidy is generated as a result of the basic nature of insurance - one risk group subsidizes another to arrive at a blended premium, therefore current employees who are young and healthy subsidize the older retirees. As of December 31, 2015, there were 8 retiree subscribers, including eligible spouses and dependents, and 41 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, mental health/substance abuse, and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 100% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's 2015 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending December 31, 2015, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an alternative measurement method valuation as of December 31, 2015.

Annual Required Contribution (ARC)	\$ <u>48,563</u>
Annual OPEB cost	48,563
Contributions made	<u>(14,431)</u>
Increase in net OPEB obligation	34,132
Net OPEB obligation - beginning of year	<u>171,573</u>
Net OPEB obligation - end of year	\$ <u><u>205,705</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 54,779	33.0%	\$ 134,847
2014	\$ 54,779	33.0%	\$ 171,573
2015	\$ 48,563	29.7%	\$ 205,705

*E. Funded Status and Funding Progress*

The funded status of the plan as of December 31, 2015, the date of the most recent valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 580,289
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u>580,289</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	\$ <u>1,716,043</u>
UAAL as a percentage of covered payroll	<u>33.8%</u>

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

*F. Actuarial Methods and Assumptions*

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

In the December 31, 2015 actuarial valuation, the projected unit credit cost method was used. The value of assets was not determined, as the Town has not advanced funded its obligation. The assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 10% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4%.

## **23. Pension Plan**

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

### **A. Plan Description**

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

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

### **B. Benefits Provided**

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

tion (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

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

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

### C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and teachers 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.77% to 27.74% of covered compensation. The Town's contribution to NHRS for the year ended December 31, 2015 was \$302,864, which was equal to its annual required contribution.

### D. Summary of Significant Accounting Policies

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

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

At December 31, 2015, the Town reported a liability of \$3,383,986 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 June 30, 2014. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2014, the Town's proportion was .08649597 percent.

At the most recent measurement date of June 30, 2015, the Town's proportion was .08542126 percent, which was a decrease of .00107471 from its previous year proportion.

For the year ended December 31, 2015, the Town recognized pension expense of \$197,801. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ (74,260)
Net difference between projected and actual earnings on pension plan investments	162,528	(307,699)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(81,832)
Contributions subsequent to the measurement date	<u>217,251</u>	<u>-</u>
Total	<u>\$ 379,779</u>	<u>\$ (463,791)</u>

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

Year ended June 30:		
2017	\$	76,533
2018		(85,997)
2019		(85,997)
2020		21,438
2021		<u>(9,989)</u>
Total	\$	<u><u>(84,012)</u></u>

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

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

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the most recent actuarial experience study.

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

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

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

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

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
June 30, 2016	\$ 4,454,578	\$ 3,383,986	\$ 2,471,301

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

## 24. Risk Management

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

## 25. Beginning Fund Balance Reclassification

The Town's major governmental funds for fiscal year 2015, as defined by GASB Statement 34, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

	Fund Equity 1/1/15 (as previously reported)	Reclassification	Fund Equity 1/1/15 (as restated)
General fund	\$ 626,498	\$ -	\$ 626,498
Central Square	(82,840)	82,840	-
Nonmajor funds	<u>439,320</u>	<u>(82,840)</u>	<u>356,480</u>
Total	<u>\$ 982,978</u>	<u>\$ -</u>	<u>\$ 982,978</u>

**26. Beginning Net Position Restatement**

The beginning (January 1, 2014) net position of the Town has been restated as follows:

Government-Wide Financial Statements:

		<u>Business-Type Activities</u>		
	<u>Governmental Activities</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
As previously reported	\$ (704,866)	\$ 2,108,396	\$ 1,896,913	\$ 4,005,309
Restate for Net Pension Liability (GASB 68)	(2,975,012)	(315,140)	(282,908)	(598,048)
	-	-	-	-
As restated	<u>\$ (3,679,878)</u>	<u>\$ 1,793,256</u>	<u>\$ 1,614,005</u>	<u>\$ 3,407,261</u>

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

**December 31, 2015  
(Unaudited)**

**Other Post-Employment Benefits**

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Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/09	\$ -	\$ 411,192	\$ 411,192	0.0%	\$ 1,389,005	29.6%
12/31/12	\$ -	\$ 622,650	622,650	0.0%	\$ 1,614,836	38.6%
12/31/15	\$ -	\$ 580,289	\$ 580,289	0.0%	\$ 1,716,043	33.8%

See Independent Auditors' Report.

**TOWN OF BRISTOL, NEW HAMPSHIRE**  
**SCHEDULE OF PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2015**  
**(Unaudited)**

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2015	0.08542126%	\$3,383,986	\$ 1,673,364	202.23%	65.47%

Information above is presented as of the most recent measurement date.

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

See Independent Auditors' Report.

**TOWN OF BRISTOL, NEW HAMPSHIRE**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2015**  
**(Unaudited)**

<u>New Hampshire Retirement System</u>					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2015	\$ 302,864	\$ (302,864)	\$ -	\$ 1,716,043	17.65%

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

See Independent Auditors' Report.