

**TOWN OF GRANTHAM,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

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

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Town of Grantham as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Emphasis of Matter

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

*Town of Grantham
Independent Auditor's Report*

Other Matters

Required Supplementary Information - Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (pages 3-10), Schedule of Funding Progress for Other Postemployment Benefit Plan (page 39), the Schedule of the Town's Proportionate Share of Net Pension Liability (page 40), and the Schedule of Town Contributions (page 41) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers them to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

February 2, 2016

*Plodzik & Sanderson
Professional Association*

Management's Discussion and Analysis

As management of the Town of Grantham (the "Town"), we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2015.

Financial Highlights

- The assets of the Town exceeded its liabilities at the close of the most recent year-end by \$6,712,323 (*net position*). Of this amount, \$1,890,394 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$556,084.
- As of the close of the current year, the Town's governmental funds reported a combined ending fund balance of \$3,486,672. Approximately 49% (\$1,720,978) of this total amount is available for spending at the Town's discretion (*unassigned fund balance*).
- At the end of the current year, unassigned fund balance for the General Fund was \$1,724,117.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) required supplementary information. In addition to the basic financial statements, this report contains other supplementary information.

Government-wide financial statements

The government-wide financial statements provide a broad view of the Town's finances. These statements (*Statement of Net Position* and the *Statement of Activities*) provide both short-term and long-term information about the Town's overall financial position. They are prepared using the accrual basis of accounting, which recognizes all revenues and expenses connected with the current year even if cash has not been received or paid.

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

The *Statement of Activities* presents information showing how the Town's net position changed, during the most recent year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus,

revenues and expenses are reported in this statement for some items that will not result in cash flows until future periods (such as uncollected taxes and licenses, and earned, but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the town.

The Town participates in governmental activities and does not currently participate in business type activities. The governmental activities in this section represent most of the Town's basic services and are generally supported by taxes, grants and intergovernmental revenues. The governmental activities of the town include general government, public safety, highway and streets, sanitation, health, welfare, culture and recreation, and conservation.

The government-wide financial statements can be found on pages 11 and 12 of this report.

Fund financial statements

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on the individual parts of the Town government, and report the Town's operations in more detail than the government-wide statements. The Town's funds are divided into two categories: 1) governmental and 2) fiduciary.

Governmental funds: Most of the basic services provided by the Town are financed through governmental funds. Unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on hand balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term 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 here with similar information presented 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 reconciliation to the government-wide statements in order to facilitate this comparison between governmental funds and governmental activities.

The Town maintains six individual governmental funds. Information is presented separately in the *Governmental Fund Combining Balance Sheet* and in the *Combining Statement of Revenues, Expenditures and Changes in Fund Balances* for the non-major funds. The General Fund is considered to be a major fund. The General Fund accounts for governmental services provided to the Town's residents. Data from the governmental funds are combined into a single, aggregated presentation termed Other Governmental Funds.

The Town's governmental funds financial statements can be found on pages 13 through 16.

Fiduciary Funds: These funds are used to account for resources held for the benefits of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. The basis of accounting used for fiduciary funds is the accrual basis of accounting.

- **Private-Purpose Trust Funds** account for the activity of trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The Town uses these types to account for scholarship donations.
- **Agency Funds** accounts for the resources held in a pure custodial capacity. This account reports information on trust funds held by the trustees that belong to other governments.

The Town's fiduciary funds statements can be found on pages 18 and 19 of this report.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the date provided in the government-wide and the fund financial statements, and are required by accounting principles generally accepted in the United States.

The notes to the financial statements begin on page 20.

Required supplementary information: The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a schedule of funding progress for other post-employment benefit plan, a schedule of the Town's proportionate share of net position liability and a schedule of Town contributions.

Other supplementary information: Other supplementary information includes combining financial statements for non-major governmental funds.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflow of resources by \$6,712,323 as of June 30, 2015.

Following is a summary of the Town's net position as found on page 11 of this report.

	Governmental Activities	
	2015	2014
Current and other assets	\$ 9,600,125	\$ 8,919,298
Capital assets, not being depreciated	873,628	822,164
Capital assets, net of depreciation	4,377,388	4,408,576
Total assets	14,851,141	14,150,038
Deferred outflows	140,691	92,263
Long-term liabilities outstanding	2,040,765	2,211,137
Other liabilities	5,031,679	4,843,699
Total liabilities	7,072,444	7,054,836
Deferred inflows	1,207,065	1,031,226
Net position:		
Net investment in capital assets	4,507,649	4,394,690
Restricted	314,280	55,270
Unrestricted	1,890,394	1,706,279
Total net position	\$ 6,712,323	\$ 6,156,239

Net position

Investment in Capital Assets: A large portion of the Town's net position reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads and bridges), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending.

Restricted Net Position: Five percent of the Town's net position represent resources that are subject to external restrictions on how they may be used.

Unrestricted Net Position: The Town's unrestricted net position, totaling \$1,890,394 may be used to meet the Town's ongoing obligations. Internally imposed designations of resources are not presented as restricted net position. At the end of the year, the Town was able to report positive balances in all three categories of net position.

The following is a summary of the information presented in the Statement of Activities found on page 12.

	Governmental Activities			
	2015	2014	Change	%
Revenues:				
Program revenues:				
Charges for services	\$ 75,160	\$ 79,073	\$ (3,913)	(5)
Operating grants and contributions	58,668	102,150	(43,482)	(43)
Capital grants and contributions	-	-	-	-
General revenues:				
Taxes	2,051,141	1,976,665	74,476	4
Licenses and permits	696,813	651,236	45,577	7
Unrestricted grants and contributions	144,150	202,065	(57,915)	(29)
Miscellaneous	176,342	260,154	(83,812)	(33)
Total revenues	<u>3,202,274</u>	<u>3,271,343</u>	<u>(69,069)</u>	<u>(3)</u>
Expenses:				
General government	1,035,140	960,715	74,425	8
Public safety	585,861	548,797	37,064	7
Highways and streets	431,378	234,755	196,623	84
Sanitation	249,223	216,163	33,060	14
Health	16,470	16,470	-	-
Welfare	8,270	1,273	6,997	16
Culture and recreation	289,658	275,974	13,684	5
Conservation	1,170	1,756	(586)	-33
Interest on long-term debt	29,020	30,265	(1,245)	(5)
Capital outlay	-	-	-	-
Total expenses	<u>2,646,190</u>	<u>2,286,168</u>	<u>360,022</u>	<u>14</u>
Change in net position	556,084	985,175	(429,091)	(44)
Beginning net position	6,733,764	5,748,589		
Change to beginning net position	(577,525)			
Ending net position	<u>6,712,323</u>	<u>6,733,764</u>	<u>(21,441)</u>	<u>1</u>

Financial Analysis of the Town's Funds

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

Governmental Funds

The fund financial statements for the Town are provided on pages 13 through 16. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the current year, the Town's governmental funds reported a combined ending fund balance of \$3,486,672, which increased \$559,472 during the year. Of the \$3,486,672, \$106,329 is nonspendable, \$271,983 is restricted, \$1,354,880 is committed and \$32,502 is assigned. The remaining fund balance of \$1,720,978 is considered unassigned and is available for spending at the Town's discretion subject to budgetary controls.

The General Fund is the primary operating fund of the Town. At the end of the current year, unassigned fund balance of the General Fund was \$1,724,117. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund expenditures. Unassigned fund balance represents 64% of total General Fund expenditures.

Budgetary Highlights

Budget to actual schedule for the General Fund is located in the Basic Financial Statements section beginning on page 20. Actual revenues generated by the general fund in 2015 exceeded amounts budgeted by \$140,870 as shown in Exhibit D of the financial statements. The major component of this favorable variance was due to an increase in the number of motor vehicle registrations and other licenses and permit fees.

Appropriations exceeded actual expenditures by \$385,258, as shown in Exhibit D of the basic financial statements. The major components of this favorable variance were:

- Less than anticipated general government expenditures of \$115,024 mainly due to fewer than expected full-time employees and therefore associated benefits.
- Less than anticipated public safety expenditures of \$63,737 due to less than anticipated costs in the operating expenses for the Police, Fire & Fast Squad.
- Less than anticipated sanitation expenditures of \$104,064 due to the unpredictable market of disposing of recycling and the costs for disposing of solid waste.

Capital Assets and Debt Administration

Capital Assets

The Town's investment in capital assets for its governmental activities as of June 30, 2015 amounts to \$5,251,016 (net of accumulated depreciation). Additional information on the capital assets can be found in Note 6 in the Notes to the Basic Financial Statements.

The Selectmen created a Capital Improvement Plan Committee to review the Town's long-range planning of capital assets.

	<u>2014</u>	<u>2015</u>	<u>Change</u>
At cost:			
Not being depreciated:			
Land	\$ 746,203	\$ 758,203	\$ 12,000
Construction in progress	75,961	115,425	39,464
Total capital assets not being depreciated	<u>822,164</u>	<u>873,628</u>	<u>51,464</u>
Being depreciated:			
Land improvements	410,857	410,857	-
Buildings and building improvements	2,625,335	2,625,335	-
Equipment and vehicles	1,678,809	1,796,062	117,253
Infrastructure	614,584	614,584	-
Total capital assets being depreciated	<u>5,329,585</u>	<u>5,446,838</u>	<u>117,253</u>
Total all capital assets	<u>6,151,749</u>	<u>6,320,466</u>	<u>168,717</u>
Less accumulated depreciation:			
Land improvements	(20,542)	(41,085)	(20,543)
Buildings and building improvements	(252,739)	(258,649)	(5,910)
Equipment and vehicles	(544,688)	(653,878)	(109,190)
Infrastructure	(103,040)	(115,838)	(12,798)
Total accumulated depreciation	<u>(921,009)</u>	<u>(1,069,450)</u>	<u>(148,441)</u>
Net book value, capital assets being depreciated	<u>4,408,576</u>	<u>4,377,388</u>	<u>(31,188)</u>
Net book value, all capital assets	<u>\$ 230,740</u>	<u>\$ 5,251,016</u>	<u>\$ 20,276</u>

Debt Administration

The Town's long-term debt obligations are comprised of one general obligation bond, one capital lease, compensated absences, which are employee related benefits, and postemployment benefits, and accrued landfill post closure care costs. Additional information on the debt can be found in Note 11 in the Notes to the Basic Financial Statements.

For the fiscal year ended June 30, 2015 the Town implemented a change in accounting principle which incorporated an amount deemed to be the Town's portion of the pension plan provider's pension liability. This change is discussed in Note 2-C in the Notes to the Basic Financial Statements. The Town's share of this liability was \$1,067,482. Additional information on the defined benefit pension plan can be found in Note 17 in the Notes to the Basic Financial Statements.

	<u>2014</u>	<u>2015</u>	<u>Change</u>
Bond payable:			
General obligation bond	\$ 660,000	\$ 600,000	\$ (60,000)
Premium	28,050	25,500	(2,550)
Total bond payable	<u>688,050</u>	<u>625,500</u>	<u>(62,550)</u>
Capital leases	148,000	117,867	(30,133)
Compensated absences	5,755	8,570	2,815
Accrued landfill postclosure costs	188,000	184,000	(4,000)
Net other postemployment benefits	19,302	37,346	18,044
Total long-term liabilities	<u>\$ 1,049,107</u>	<u>\$ 973,283</u>	<u>\$ (75,824)</u>

Economic Factors and the 2015 Budget

At the 2014 Annual Town Meeting, the Town voted \$2,866,931 for the 2015 operating budget and transfers totaling \$223,000. These appropriations were funded as follows: \$2,056,736 from taxes; \$908,624 from other general revenue; and \$124,571 from fund balance.

Requests for Information

This financial report is designed to provide a general overview of the Town of Grantham's finances for all the citizens, taxpayers, customers, investors and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to: Town of Grantham, Selectmen's Office, 300 Route 10 South, Grantham, NH 03753; via email at admin@granthamnh.net or telephone at (603) 863-6021.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 7,191,164
Investments	78,394
Taxes receivables (net)	2,266,535
Tax deeded property, subject to resale	64,032
Capital assets:	
Land and construction in progress	873,628
Other capital assets, net of depreciation	4,377,388
Total assets	14,851,141
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	140,691
LIABILITIES	
Accounts payable	115,597
Accrued interest payable	13,525
Intergovernmental payable	4,902,557
Long-term liabilities:	
Due within one year	100,683
Due in more than one year	872,600
Net pension liability	1,067,482
Total liabilities	7,072,444
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - Property taxes	1,070,480
Deferred amounts related to pensions	136,585
Total deferred inflows of resources	1,207,065
NET POSITION	
Net investment in capital assets	4,507,649
Restricted	314,280
Unrestricted	1,890,394
Total net position	\$ 6,712,323

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

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

	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	
General government	\$ 1,035,140	\$ 2,674	\$ -	\$ (1,032,466)
Public safety	585,861	315	30	(585,516)
Highways and streets	431,378	-	58,638	(372,740)
Sanitation	249,223	52,524	-	(196,699)
Health	16,470	-	-	(16,470)
Welfare	8,270	-	-	(8,270)
Culture and recreation	289,658	19,647	-	(270,011)
Conservation	1,170	-	-	(1,170)
Interest on long-term debt	29,020	-	-	(29,020)
Total governmental activities	<u>\$ 2,646,190</u>	<u>\$ 75,160</u>	<u>\$ 58,668</u>	<u>(2,512,362)</u>
General revenues:				
Taxes:				
Property				1,994,549
Other				56,592
Motor vehicle permit fees				669,257
Licenses and other fees				27,556
Grants and contributions not restricted to specific programs				144,150
Miscellaneous				176,342
Total general revenues				<u>3,068,446</u>
Change in net position				556,084
Net position, beginning, as restated (see Note 15)				6,156,239
Net position, ending				<u>\$ 6,712,323</u>

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

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

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 7,009,255	\$ 181,909	\$ 7,191,164
Investments	68,640	9,754	78,394
Taxes receivable	2,390,535	-	2,390,535
Interfund receivable	3,139	267	3,406
Tax dedeed property, subject to resale	64,032	-	64,032
Total assets	<u>\$ 9,535,601</u>	<u>\$ 191,930</u>	<u>\$ 9,727,531</u>
LIABILITIES			
Accounts payable	\$ 115,597	\$ -	\$ 115,597
Due to other governments	4,902,557	-	4,902,557
Interfund payable	267	3,139	3,406
Total liabilities	<u>5,018,421</u>	<u>3,139</u>	<u>5,021,560</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	1,219,299	-	1,219,299
FUND BALANCES (DEFICIT)			
Nonspendable	64,032	42,297	106,329
Restricted	257,109	14,874	271,983
Committed	1,220,121	134,759	1,354,880
Assigned	32,502	-	32,502
Unassigned (deficit)	1,724,117	(3,139)	1,720,978
Total fund balances	<u>3,297,881</u>	<u>188,791</u>	<u>3,486,672</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 9,535,601</u>	<u>\$ 191,930</u>	<u>\$ 9,727,531</u>

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

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

Total fund balances of governmental funds (Exhibit C-1)		\$ 3,486,672
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 6,320,466	
Less accumulated depreciation	<u>(1,069,450)</u>	5,251,016
Certain resources are not current financial resources in the governmental funds, and instead are reported in the Statement of Net Position		
Deferred outflows of resources related to pensions		140,691
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (3,406)	
Payables	<u>3,406</u>	-
Allowance for uncollectible property taxes that is recognized on a full accrual basis, but not on the modified accrual basis.		(124,000)
Other long-term assets (property taxes) are not available to pay for current period expenditures, and therefore, are reported as unavailable revenue in the funds.		148,819
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(13,525)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ 600,000	
Unamortized bond premium	25,500	
Capital leases	117,867	
Compensated absences	8,570	
Accrued landfill postclosure care costs	184,000	
Other postemployment benefits	37,346	
Deferred inflows of resources related to pensions	136,585	
Net pension liability	<u>1,067,482</u>	<u>(2,177,350)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 6,712,323</u></u>

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

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

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 2,147,690	\$ 8,000	\$ 2,155,690
Licenses and permits	696,813	-	696,813
Intergovernmental	202,818	-	202,818
Charges for services	46,971	28,189	75,160
Miscellaneous	168,803	7,539	176,342
Total revenues	<u>3,263,095</u>	<u>43,728</u>	<u>3,306,823</u>
EXPENDITURES			
Current:			
General government	1,014,859	-	1,014,859
Public safety	518,072	-	518,072
Highways and streets	381,469	-	381,469
Sanitation	238,348	-	238,348
Health	16,470	-	16,470
Welfare	8,270	-	8,270
Culture and recreation	244,542	16,009	260,551
Conservation	1,050	120	1,170
Debt service:			
Principal	90,133	-	90,133
Interest	30,240	-	30,240
Capital outlay	167,106	20,663	187,769
Total expenditures	<u>2,710,559</u>	<u>36,792</u>	<u>2,747,351</u>
Excess of revenues over expenditures	<u>552,536</u>	<u>6,936</u>	<u>559,472</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	14,672	14,672
Transfers out	(14,672)	-	(14,672)
Total other financing sources (uses)	<u>(14,672)</u>	<u>14,672</u>	<u>-</u>
Net change in fund balances	537,864	21,608	559,472
Fund balances, beginning	2,760,017	167,183	2,927,200
Fund balances, ending	<u>\$ 3,297,881</u>	<u>\$ 188,791</u>	<u>\$ 3,486,672</u>

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

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

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 559,472
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	\$ 168,717	
Depreciation expense	<u>(148,441)</u>	20,276
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (14,672)	
Transfers out	<u>14,672</u>	-
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expenses.		
Contributions subsequent to the measurement date	\$ 89,812	
Net pension expense	<u>(83,421)</u>	6,391
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in 60 day property tax deferred inflow	\$ (62,549)	-
Change in allowance for uncollectible property taxes	<u>(42,000)</u>	(104,549)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and when debt is first issued, whichever these amounts are deferred and amortized in the Statement of Activities.		
Repayment of bond principal	\$ 60,000	
Repayment of capital leases	30,133	
Amortization of bond premium	<u>2,550</u>	92,683
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Increase in accrued interest expense	\$ (1,330)	
Increase in compensated absences payable	(2,815)	
Increase in postemployment benefits payable	(18,044)	
Decrease in accrued landfill postclosure care costs	<u>4,000</u>	(18,189)
Changes in net position of governmental activities (Exhibit B)		<u>\$ 556,084</u>

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

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

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 2,056,736	\$ 2,056,736	\$ 2,043,141	\$ (13,595)
Licenses and permits	596,500	596,500	696,813	100,313
Intergovernmental	202,252	202,252	202,818	566
Charges for services	45,000	45,000	46,971	1,971
Miscellaneous	64,872	65,572	117,187	51,615
Total revenues	<u>2,965,360</u>	<u>2,966,060</u>	<u>3,106,930</u>	<u>140,870</u>
EXPENDITURES				
Current:				
General government	1,129,883	1,129,883	1,014,859	115,024
Public safety	581,109	581,809	518,072	63,737
Highways and streets	377,900	377,900	328,932	48,968
Sanitation	342,412	342,412	238,348	104,064
Health	16,670	16,670	16,470	200
Welfare	20,000	20,000	8,270	11,730
Culture and recreation	258,526	258,526	235,999	22,527
Conservation	2,100	2,100	1,050	1,050
Debt service:				
Principal	104,031	104,031	90,133	13,898
Interest	34,300	34,300	30,240	4,060
Capital outlay	-	167,106	167,106	-
Total expenditures	<u>2,866,931</u>	<u>3,034,737</u>	<u>2,649,479</u>	<u>385,258</u>
Excess (deficiency) of revenues over (under) expenditures	<u>98,429</u>	<u>(68,677)</u>	<u>457,451</u>	<u>526,128</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	167,106	167,106	-
Transfers out	(223,000)	(223,000)	(223,000)	-
Total other financing sources (uses)	<u>(223,000)</u>	<u>(55,894)</u>	<u>(55,894)</u>	<u>-</u>
Net change in fund balances	<u>\$ (124,571)</u>	<u>\$ (124,571)</u>	401,557	<u>\$ 526,128</u>
Decrease in restricted fund balance			199	
Increase in committed fund balance			(400,000)	
Unassigned fund balance, beginning			1,747,180	
Unassigned fund balance, ending			<u>\$ 1,748,936</u>	

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

EXHIBIT E-1
TOWN OF GRANTHAM, NEW HAMPSHIRE
Fiduciary Funds
Statement of Net Position
June 30, 2015

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 737	\$ 1,210,339
Investments	11,590	93,084
Total assets	12,327	1,303,423
LIABILITIES		
Due to other governmental units	-	1,303,423
NET POSITION		
Held in trust for specific purposes	\$ 12,327	\$ -

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

EXHIBIT E-2
TOWN OF GRANTHAM, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended June 30, 2015

	Private Purpose Trust
ADDITIONS	
Interest	\$ 105
DEDUCTIONS	
Trust income distributions	900
Change in net position	(795)
Net position, beginning	13,122
Net position, ending	\$ 12,327

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1-A Reporting Entity

The Town of Grantham is a municipal corporation governed by an elected 3-member Board of Selectmen. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

1-B Government-wide and Fund Financial Statements

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

The Statement of Net Position presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position.

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

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

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

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

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

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

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

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available.

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

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

The Town reports the following major governmental fund:

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

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

Additionally, the Town reports the following fund types:

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

Capital Projects Fund - is used to account for the financial resources and activities relating to specific construction projects.

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

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

Private Purpose Trust Funds – are used to account for trust arrangements under which principal and income benefit individuals, private organizations, or other governments.

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

1-D Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts.

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

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

1-E Investments

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

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

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

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

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

1-F Receivables

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

1-G Interfund Balances

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “interfund receivables and payables.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

1-H Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure, are reported in the applicable governmental column in the government-wide financial statements. Infrastructure has not been capitalized as the Town has not determined the historical cost for the initial reporting of these assets and does not maintain adequate records to capture annual capital outlay for infrastructure.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated minimum useful life in excess of one year. As the Town constructs or acquires additional capital assets each year, they are capitalized and reported at historical cost. The reported value excludes normal maintenance and repairs which are essentially amounts spent in relation to capital assets that do not increase the capacity or efficiency of the item or increase its estimated useful life. Donated capital assets are recorded at their estimated fair value at the date of donation.

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

Capital Asset Classes:	<u>Years</u>
Land improvements	20
Buildings and building improvements	20 - 150
Equipment and vehicles	10 - 25
Infrastructure	30 - 75

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

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

1-I Deferred Outflows/Inflows of Resources

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

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

1-J Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on October 28, 2014 and May 20, 2015, and due on December 1, 2014 and July 8, 2015. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

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

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

For the New Hampshire education tax	\$ 511,863,909
For all other taxes	\$ 517,147,509

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

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$4.13	\$ 2,134,774
School portion:		
State of New Hampshire	\$2.26	1,158,531
Local	\$13.03	6,740,026
County portion	\$2.85	1,471,602
Total		\$ 11,504,933

1-K Compensated Absences

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

1-L Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium.

In the fund financial statements, governmental fund types recognize bond premiums during the current period. Premiums received on debt issuances are reported as other financing sources.

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

1-M Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

1-N Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

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

1-O Net Position/Fund Balance Reporting

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

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

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

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

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

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

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

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

Unassigned – This classification includes the residual fund balance for the general fund, or a deficit fund balance in the special revenue or capital project funds.

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

1-P Defined Benefit Pension Plan

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2015, \$124,571 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

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

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

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

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 3,274,036
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
Revenue of the blended funds	51,616
Eliminate transfers between blended funds	(167,106)
Change in 60 day property tax deferred inflow	62,549
Change in allowance for uncollectible property taxes	42,000
Per Exhibit C-3 (GAAP basis)	<u>\$ 3,263,095</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 2,872,479
Adjustment:	
Basis differences:	
Encumbrances, beginning	84,129
Encumbrances, ending	(31,592)
GASB Statement No. 54:	
Expenditures of the blended funds	8,543
Eliminate transfers between blended funds	(208,328)
Per Exhibit C-3 (GAAP basis)	<u>\$ 2,725,231</u>

2-C Change in Accounting Principle

Effective July 1, 2014, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The requirements of this Statement change the way the Town calculates and reports the costs and obligations associated with pensions. As a result of implementing GASB Statement No. 68 the Town has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of July 1, 2014 by \$1,069,767 (see Note 15). The reduction accounts for the associated net position liability, deferred inflows of resources, and deferred outflows of resources related to pensions.

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

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

At June 30, 2015, the reported amount of the Town’s deposits was \$8,402,240 and the bank balance was \$8,390,660. Of the bank balance \$8,271,624 was covered by federal depository insurance or by collateral held by the Town’s agent in the Town’s name, and \$6,864 was uninsured and uncollateralized.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 7,191,164
Cash per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	1,211,076
Total cash and cash equivalents	<u>\$ 8,402,240</u>

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NOTE 4 – INVESTMENTS

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

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

	1-5 Years
Investments type:	
Certificates of Deposit	\$ 183,068

Interest Rate Risk – This 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.

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty (e.g. broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have custodial credit risk policies for investments.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 78,394
Investments per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	104,674
Total investments	\$ 183,068

NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of June 30, 2015. The amount has been reduced by an allowance for an estimated uncollectible amount of \$124,000. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2015	\$ 2,216,237	\$ 2,216,237
Unredeemed (under tax lien):		
Levy of 2014	106,248	106,248
Levy of 2013	35,933	35,933
Levies of 2012 and prior	31,993	31,993
Yield	124	124
Less: allowance for estimated uncollectible taxes	(124,000) *	-
Net taxes receivable	\$ 2,266,535	\$ 2,390,535

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

TOWN OF GRANTHAM, NEW HAMPSHIRE
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NOTE 6 – CAPITAL ASSETS

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

	Balance, beginning	Additions	Balance, ending
At cost:			
Not being depreciated:			
Land	\$ 746,203	\$ 12,000	\$ 758,203
Construction in progress	75,961	39,464	115,425
Total capital assets not being depreciated	<u>822,164</u>	<u>51,464</u>	<u>873,628</u>
Being depreciated:			
Land improvements	410,857	-	410,857
Buildings and building improvements	2,625,335	-	2,625,335
Equipment and vehicles	1,678,809	117,253	1,796,062
Infrastructure	614,584	-	614,584
Total capital assets being depreciated	<u>5,329,585</u>	<u>117,253</u>	<u>5,446,838</u>
Total all capital assets	<u>6,151,749</u>	<u>168,717</u>	<u>6,320,466</u>
Less accumulated depreciation:			
Land improvements	(20,542)	(20,543)	(41,085)
Buildings and building improvements	(252,739)	(5,910)	(258,649)
Equipment and vehicles	(544,688)	(109,190)	(653,878)
Infrastructure	(103,040)	(12,798)	(115,838)
Total accumulated depreciation	<u>(921,009)</u>	<u>(148,441)</u>	<u>(1,069,450)</u>
Net book value, capital assets being depreciated	<u>4,408,576</u>	<u>(31,188)</u>	<u>4,377,388</u>
Net book value, all capital assets	<u>\$ 5,230,740</u>	<u>\$ 20,276</u>	<u>\$ 5,251,016</u>

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

General government	\$ 6,785
Public safety	67,124
Highways and streets	40,942
Sanitation	11,491
Culture and recreation	22,099
Total depreciation expense	<u>\$ 148,441</u>

NOTE 7 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of June 30, 2015 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 3,139
Nonmajor	General	267
		<u>\$ 3,406</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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Interfund Transfers - The composition of interfund transfers for the year ended June 30, 2015 is as follows:

	Transfers In:
	Nonmajor
	Funds
Transfers out:	
General fund	\$ 14,672

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

NOTE 8 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$6,205,980 at June 30, 2015 consist of the following:

General fund:	
Balance of the 2015-2016 district assessment due to the Grantham School District	\$ 3,937,006
Balance of the 2015 district assessment due to the Eastman Village District	230,696
Balance of the 2015 county assessment due to Sullivan County	734,855
Total general fund	4,902,557
Agency fund:	
Balance of the expendable trusts belonging to the Grantham School District	725,502
Balance of the expendable trusts belonging to the Eastman Village District	577,921
Total agency fund	1,303,423
Total intergovernmental payables due	\$ 6,205,980

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of \$140,691 on the Statement of Net Position balance sheet at June 30, 2015 consists of deferred amounts related to pensions, see Note 16 for more information.

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

	Governmental Activities	General Fund
Property taxes not collected within 60 days of fiscal year-end	\$ -	\$ 148,819
Property tax warrant issued but not due until subsequent fiscal year	1,070,480	1,070,480
Pension amounts associated with GASB Statement No. 68 (see Note 16)	136,585	-
Total deferred inflows of resources	\$ 1,207,065	\$ 1,219,299

NOTE 10 – CAPITAL LEASE OBLIGATIONS

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

	Standard Interest Rate	Present Value of Remaining Payments as of June 30, 2015
Capital lease obligations:		
International plow truck	6.77%	\$ 117,867

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Leased equipment under capital leases, included in capital assets, is as follows:

	Governmental Activities
Equipment:	
International plow truck	\$ 148,000
Less: accumulated depreciation	14,800
Total capital lease equipment	\$ 133,200

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

Fiscal Year Ending June 30,	Governmental Activities
2016	\$ 31,603
2017	31,603
2018	31,603
2019	31,603
Total requirements	126,412
Less: interest	8,545
Present value of remaining payments	\$ 117,867

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

NOTE 11 – LONG-TERM LIABILITIES

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

	Balance July 1, 2014 (as restated)	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Bond payable:					
General obligation bond	\$ 660,000	\$ -	\$ (60,000)	\$ 600,000	\$ 60,000
Premium	28,050	-	(2,550)	25,500	2,550
Total bond payable	688,050	-	(62,550)	625,500	62,550
Capital leases	148,000	-	(30,133)	117,867	30,133
Compensated absences	5,755	2,815	-	8,570	-
Accrued landfill closure and postclosure care costs	188,000	-	(4,000)	184,000	8,000
Net other postemployment benefits	19,302	18,044	-	37,346	-
Total long-term liabilities	\$ 1,049,107	\$ 20,859	\$ (96,683)	\$ 973,283	\$ 100,683

The long-term bond is comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2015	Current Portion
General obligation bond payable:						
Town building	\$ 1,219,000	2005	2025	3.0 - 5.0%	\$ 600,000	\$ 60,000

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

Fiscal Year Ending June 30,	Principal	Interest	Total
2016	\$ 60,000	\$ 27,150	\$ 87,150
2017	60,000	24,150	84,150
2018	60,000	20,733	80,733
2019	60,000	17,733	77,733
2020	60,000	14,808	74,808
2021-2025	300,000	37,425	337,425
Totals	<u>\$ 600,000</u>	<u>\$ 141,999</u>	<u>\$ 741,999</u>

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

Accrued Landfill Postclosure Care Costs – The Town ceased operating its landfill in 1989. Federal and State laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site after closure. A liability is being recognized based on the future postclosure care costs that will be incurred. The recognition of these landfill postclosure care costs is based on the amount of the landfill used through the end of the year. The estimated liability for landfill postclosure care costs has a balance of \$184,000 as of June 30, 2015. The estimated total current cost of the landfill postclosure care (\$8,000) is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2015. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations. The Town expects to finance the postclosure care costs by annual appropriation.

NOTE 12 – ENCUMBRANCES

Encumbrances outstanding of \$31,592 at June 30, 2015 in the general fund are for highways and streets.

NOTE 13 – GOVERNMENTAL ACTIVITIES NET POSITION

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

Net investment in capital assets:	
Net property, buildings, and equipment	\$ 5,251,016
Less:	
General obligation bonds payable	(600,000)
Unamortized bond premiums	(25,500)
Capital leases payable	<u>(117,867)</u>
Total net investment in capital assets	<u>4,507,649</u>
Restricted:	
Dunbar Free Library	257,109
Nonexpendable permanent funds (principal balance)	42,297
Expendable permanent funds (income balance)	<u>14,874</u>
Total restricted net position	<u>314,280</u>
Unrestricted	<u>1,890,394</u>
Total net position	<u>\$ 6,712,323</u>

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

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NOTE 14 – GOVERNMENTAL FUND BALANCES

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

Nonspendable:		
Major fund:		
General:		
Tax deeded property, held for resale	\$ 64,032	
Nonmajor fund:		
Permanent - principal balance	<u>42,297</u>	
Total nonspendable fund balance		\$ 106,329
Restricted:		
Major fund:		
General:		
Library	\$ 257,109	
Nonmajor fund:		
Permanent - income balance	<u>14,874</u>	
Total restricted fund balance		271,983
Committed:		
Major fund:		
General:		
Expendable trust	\$ 820,121	
Voted appropriation - March 2015	400,000	
	<u>1,220,121</u>	
Nonmajor funds:		
Conservation commission	58,248	
Reclamation trust	54,192	
Recreation revolving	<u>22,319</u>	
	<u>134,759</u>	
Total committed fund balance		1,354,880
Assigned:		
Major fund:		
General:		
Encumbrances		32,502
Unassigned:		
Major fund:		
General	\$ 1,724,117	
Nonmajor fund:		
Library projects (deficit)	<u>(3,139)</u>	
Total unassigned fund balance		<u>1,720,978</u>
Total fund balance		<u><u>\$ 3,486,672</u></u>

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NOTE 15 – PRIOR PERIOD ADJUSTMENTS

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

	Government-wide Statements
To record beginning balance of deferred outflows of resources relating to GASB Statement No. 68	\$ 92,263
To record beginning balance of net pension liability associated with GASB Statement No. 68	(1,162,030)
To record beginning balance in other postemployment benefits payable (OPEB)	(19,302)
To record capital assets and related accumulated depreciation, not previously reported	511,544
Net position, as previously reported	6,733,764
Net position, as restated	\$ 6,156,239

NOTE 16 – DEFICIT FUND BALANCE

The library capital project fund had a deficit fund balance of \$3,139 at June 30, 2015. This deficit will be financed based on Warrant Article No. 2, of the March 17, 2015 annual Town Meeting.

NOTE 17 – DEFINED BENEFIT PENSION PLAN

Plan Description: The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan. The System issues a publically available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

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

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

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by ¼ of 1% or age 60.

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

Contributions: The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees except police officers are required to contribute 7% of earnable compensation. The contribution rate was 11.55% for police officers. For fiscal year 2015, the Town contributed 25.30% for police officers and 10.77% for all other employees. The contribution requirements for the fiscal years 2013, 2014, and 2015 were \$73,639, \$99,549, and \$101,059, respectively, which were paid in full in each year.

Pension Liabilities, Pension Expense, and Deferred Outflows or Resources and Deferred Inflows of Resources Related to Pensions - At June 30, 2015 the Town reported a liability of \$1,067,482 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2014, the Town's proportion was .02843898% which was an increase of .00143878% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the Town recognized pension expense of \$83,420. At June 30, 2015 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources.

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 50,879	\$ -
Net difference between projected and actual investment earnings on pension plan investments	-	136,585
Contributions subsequent to the measurement date	89,812	-
Total	\$ 140,691	\$ 136,585

The \$89,812 reported as part of deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2015. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending June 30,	
2016	\$ (23,103)
2017	(23,103)
2018	(23,103)
2019	6,707
Totals	\$ (62,602)

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

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

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

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

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

Asset Class	Target Allocation	Weighted average long-term expected real rate of return	
		2014	2013
Large Cap Equities	22.50%	3.25%	3.25%
Small/Mid Cap Equities	7.50%	3.25%	4.00%
Total domestic equity	30.00%		
Int'l Equities (unhedged)	13.00%	4.25%	4.75%
Emerging Int'l Equities	7.00%	6.50%	6.75%
Total international equity	20.00%		
Core Bonds	18.00%	(0.47)%	(0.96)%
High-Yield Bonds	1.50%	1.50%	2.00%
Global Bonds (unhedged)	5.00%	(1.75)%	(2.25)%
Emerging Market Debt (external)	0.50%	2.00%	1.00%
Total fixed income	25.00%		
Private equity	5.00%	5.75%	6.00%
Private debt	5.00%	5.00%	5.50%
Real estate	10.00%	3.25%	3.00%
Opportunistic	5.00%	2.50%	2.63%
Total alternative investments	25.00%		
Total	100.00%		

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

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage point higher (8.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.75%	Current Single Rate Assumption		1% Increase 8.75%
		7.75%		
June 30, 2013	\$ 1,489,747	\$ 1,162,030		\$ 886,553
June 30, 2014	\$ 1,406,047	\$ 1,067,482		\$ 781,851

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

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NOTE 18 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description and Annual OPEB Cost - The Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provisions of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the Town's contractual agreements.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45 requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The Town has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate 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 normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2015:

Annual required contribution	\$ 22,794
Interest on net OPEB obligation	772
Adjustment to annual required contribution	<u>(1,116)</u>
Annual OPEB cost (expense)	22,450
Contributions made	<u>(4,406)</u>
Increase in net OPEB obligation	18,044
Net OPEB obligation - beginning of year, as restated	<u>19,302</u>
Net OPEB Obligation - end of year	<u><u>\$ 37,346</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 and the preceding year were as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
June 30, 2014	\$ 21,181	\$ (1,879)	8.87%	\$ 19,302
June 30, 2015	\$ 22,450	\$ (4,406)	19.63%	\$ 37,346

As of July 1, 2013, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$104,295, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$104,295. The covered payroll (annual payroll of active employees covered by the plan) was \$669,787 during fiscal year 2015, and the ratio of the UAAL to the covered payroll was 15.60%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for Other Postemployment Benefits Plan, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer 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 employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques

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NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2013 actuarial valuation, the actuarial cost method was used. The actuarial assumptions included a 4.0% investment rate of return per annum. The projected annual healthcare cost trend is 7.0% initially, reduced by decrements to an ultimate rate of 5.0% for years 2018 and later. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 30, 2015 was 30 years.

NOTE 19 – RISK MANAGEMENT

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

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2014 to June 30, 2015 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Grantham billed and paid for the year ended June 30, 2015 was \$15,454 for workers' compensation and \$27,492 for property/liability.

NOTE 20 – CONTINGENCIES

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

NOTE 21 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through February 2, 2016, the date the June 30, 2015 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF GRANTHAM, NEW HAMPSHIRE
Schedule of Funding Progress for Other Postemployment Benefit Plan
For the Fiscal Year Ended June 30, 2015

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
July 1, 2013	\$ -	\$ 104,295	\$ 104,295	0.00%	\$ 669,787	15.60%

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

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

<u>Fiscal Year</u>	<u>Valuation Date</u>	<u>Town's Proportion of Net Pension Liability</u>	<u>Proportionate Share of Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Town Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2014	July 1, 2013	0.02700020%	\$ 1,162,030	\$ 645,806	179.93%	66.32%
June 30, 2015	July 1, 2014	0.02843898%	\$ 1,067,482	\$ 669,787	159.38%	59.81%

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

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

Fiscal Year	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2014	July 1, 2013	\$ 67,137	\$ 67,137	\$ -	\$ 645,806	10.40%
June 30, 2015	July 1, 2014	\$ 92,263	\$ 92,263	\$ -	\$ 669,787	13.77%

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

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

Schedule of Funding Progress for Other Postemployment Benefits (OPEB)

As required by GASB Statement No. 45, Exhibit F represents the actuarial determined costs associated with the Town's other postemployment benefits for the fiscal year ended June 30, 2015.

The GASB standard on accounting for postretirement benefits other than pensions requires the following disclosures in the financial statements with regard to the retiree benefit liability:

Amortization Method: Level dollar amount over thirty (30) years on an open amortization period for pay-as-you-go.

Health Care Cost Trend Rates:

Year	Trend
1	7.00%
2	6.50%
3	6.00%
4	5.50%
5	5.00%
Ultimate	5.00%

Mortality Table: RP-200 Combined Mortality Table, projected to 2020, using Scale AA. For disability retirements, 80% of PBGC Disabled Mortality Table for males.

Medical Plan Participation: 80% of eligible retirees will elect to participate.

Dependent Status: Male spouses are assumed to be three years older and female spouses are assumed to be three years younger than the retired employee.

50% of employees are assumed to retiree with a covered spouse.

Medical Per Capita Costs: Annual per capita costs for the fiscal year beginning July 1, 2013 are as follows:

Age	Cost
Under 25	\$ 4,153
25-29	\$ 5,354
30-34	\$ 6,751
35-39	\$ 7,475
40-44	\$ 8,302
45-49	\$ 9,709
50-54	\$ 12,070
55-59	\$ 14,322
60-64	\$ 17,391

Retiree Contributions: Annual per capita participant contributions for the fiscal year beginning July 1, 2013 are as follows:

Age	Participant Contributions
Under 65	\$ 11,523

Actuarial Cost Method: Projected Unit Credit. The costs of each employee's postemployment benefits are allocated on a pro rata basis from the employee's date of hire to the date the employee is fully eligible for benefits.

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

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

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

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

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	25 Years beginning July 1, 2014
Asset Valuation Method	5-Year smooth market for funding purposes
Price Inflation	3.0% per year
Wage Inflation	3.75% per year
Salary Increases	5.8% Average, including inflation
Municipal Bond Rate	4.29% per year
Investment Rate of Return	7.75% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2011 valuation pursuant to an experience study of the period 2005-2010.
Mortality	RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

Other Information:

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

COMBINING AND INDIVIDUAL FUND SCHEDULES

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

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 2,017,013	\$ 1,994,549	\$ (22,464)
Yield	500	6,032	5,532
Interest and penalties on taxes	30,000	33,337	3,337
Other	9,223	9,223	-
Total from taxes	<u>2,056,736</u>	<u>2,043,141</u>	<u>(13,595)</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	500	360	(140)
Motor vehicle permit fees	575,000	669,257	94,257
Building permits	4,000	8,445	4,445
Other	17,000	18,751	1,751
Total from licenses, permits, and fees	<u>596,500</u>	<u>696,813</u>	<u>100,313</u>
Intergovernmental:			
State:			
Meals and rooms distribution	144,150	144,150	-
Highway block grant	58,102	58,638	536
Other	-	30	30
Total from intergovernmental	<u>202,252</u>	<u>202,818</u>	<u>566</u>
Charges for services:			
Income from departments	<u>45,000</u>	<u>46,971</u>	<u>1,971</u>
Miscellaneous:			
Sale of municipal property	12,000	-	(12,000)
Interest on investments	50,000	77,431	27,431
Rent of property	-	950	950
Contributions and donations	-	1,000	1,000
Other	3,572	37,806	34,234
Total from miscellaneous	<u>65,572</u>	<u>117,187</u>	<u>51,615</u>
Other financing sources:			
Transfers in	<u>167,106</u>	<u>167,106</u>	<u>-</u>
Total revenues and other financing sources	3,133,166	<u>\$ 3,274,036</u>	<u>\$ 140,870</u>
Unassigned fund balance used to reduce tax rate	124,571		
Total revenues, other financing sources, and use of fund balance	<u>\$ 3,257,737</u>		

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

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 200,700	\$ 175,858	\$ -	\$ 24,842
Election and registration	-	118,906	115,239	-	3,667
Financial administration	-	36,700	37,900	-	(1,200)
Revaluation of property	-	41,000	83,840	-	(42,840)
Legal	-	20,000	16,039	-	3,961
Personnel administration	-	536,100	446,789	-	89,311
Planning and zoning	-	9,925	5,620	-	4,305
General government buildings	-	114,100	93,928	-	20,172
Cemeteries	-	18,100	7,294	-	10,806
Insurance, not otherwise allocated	-	29,492	27,492	-	2,000
Advertising and regional associations	-	3,860	3,860	-	-
Other	-	1,000	1,000	-	-
Total general government	-	1,129,883	1,014,859	-	115,024
Public safety:					
Police	-	370,880	350,812	-	20,068
Ambulance	-	69,450	57,363	-	12,087
Fire	-	120,379	94,464	-	25,915
Building inspection	-	8,000	4,660	-	3,340
Emergency management	-	13,100	10,773	-	2,327
Total public safety	-	581,809	518,072	-	63,737
Highways and streets:					
Public works garage	-	216,700	192,005	-	24,695
Highways and streets	84,129	156,200	185,664	31,592	23,073
Street lighting	-	5,000	3,800	-	1,200
Total highways and streets	84,129	377,900	381,469	31,592	48,968
Sanitation:					
Solid waste collection	-	130,412	98,981	-	31,431
Solid waste disposal	-	204,000	135,228	-	68,772
Solid waste clean-up	-	8,000	4,139	-	3,861
Total sanitation	-	342,412	238,348	-	104,064
Health:					
Pest control	-	700	500	-	200
Health agencies	-	15,970	15,970	-	-
Total health	-	16,670	16,470	-	200
Welfare:					
Direct assistance	-	20,000	8,270	-	11,730
Culture and recreation:					
Parks and recreation	-	43,757	31,679	-	12,078
Library	-	186,769	185,172	-	1,597
Patriotic purposes	-	27,000	18,894	-	8,106
Other	-	1,000	254	-	746
Total culture and recreation	-	258,526	235,999	-	22,527
Conservation	-	2,100	1,050	-	1,050

(Continued)

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

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	104,031	90,133	-	13,898
Interest on long-term debt	-	34,200	30,240	-	3,960
Interest on tax anticipation notes	-	100	-	-	100
Total debt service	-	138,331	120,373	-	17,958
Capital outlay	-	167,106	167,106	-	-
Other financing uses:					
Transfers out	-	223,000	223,000	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 84,129	\$ 3,257,737	\$ 2,925,016	\$ 31,592	\$ 385,258

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

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 1,747,180
Changes:		
Unassigned fund balance used to reduce 2015 tax rate		(124,571)
2015 Budget summary:		
Revenue surplus (Schedule 1)	\$ 140,870	
Unexpended balance of appropriations (Schedule 2)	385,258	
2015 Budget surplus		526,128
Decrease in restricted fund balance		199
Increase in committed fund balance		(400,000)
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		1,748,936
<i>Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:</i>		
To record deferred inflows of property taxes for 60 day revenue recognition		(148,819)
To remove allowance for uncollectible property taxes, recognized on a budgetary basis, but not on a GAAP basis		124,000
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		\$ 1,724,117

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

	Special Revenue Funds			Capital Project Fund	Permanent Fund	Total
	Conservation Commission	Reclamation Trust	Recreation Revolving	Library Projects		
ASSETS						
Cash and cash equivalents	\$ 58,248	\$ 53,925	\$ 22,319	\$ -	\$ 47,417	\$ 181,909
Investments	-	-	-	-	9,754	9,754
Interfund receivable	-	267	-	-	-	267
Total assets	\$ 58,248	\$ 54,192	\$ 22,319	\$ -	\$ 57,171	\$ 191,930
LIABILITIES						
Interfund payable	\$ -	\$ -	\$ -	\$ 3,139	\$ -	\$ 3,139
FUND BALANCES						
Nonspendable	-	-	-	-	42,297	42,297
Restricted	-	-	-	-	14,874	14,874
Committed	58,248	54,192	22,319	-	-	134,759
Unassigned (deficit)	-	-	-	(3,139)	-	(3,139)
Total fund balances (deficit)	58,248	54,192	22,319	(3,139)	57,171	188,791
Total liabilities and fund balances	\$ 58,248	\$ 54,192	\$ 22,319	\$ -	\$ 57,171	\$ 191,930

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

	Special Revenue Funds			Capital Project Fund	Permanent Fund	Total
	Conservation Commission	Reclamation Trust	Recreation Revolving	Library Projects		
REVENUES						
Taxes	\$ 8,000	\$ -	\$ -	\$ -	\$ -	\$ 8,000
Charges for services	-	8,542	19,647	-	-	28,189
Miscellaneous	10	10	5,618	-	1,901	7,539
Total revenues	8,010	8,552	25,265	-	1,901	43,728
EXPENDITURES						
Current:						
Culture and recreation	-	-	16,009	-	-	16,009
Conservation	120	-	-	-	-	120
Capital outlay	12,000	2,852	-	5,811	-	20,663
Total expenditures	12,120	2,852	16,009	5,811	-	36,792
Excess (deficiency) of revenues over (under) expenditures	(4,110)	5,700	9,256	(5,811)	1,901	6,936
OTHER FINANCING SOURCES						
Transfers in	12,000	-	-	2,672	-	14,672
Net change in fund balances	7,890	5,700	9,256	(3,139)	1,901	21,608
Fund balances, beginning	50,358	48,492	13,063	-	55,270	167,183
Fund balances (deficit), ending	\$ 58,248	\$ 54,192	\$ 22,319	\$ (3,139)	\$ 57,171	\$ 188,791