

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
Financial Statements
December 31, 2015
and
Independent Auditor's Report

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2015

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Moultonborough, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Moultonborough, New Hampshire (the "Town"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Moultonborough, New Hampshire, as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of funding progress for other post-employment benefits, schedule of changes in the Town's proportionate share of the net pension liability, and the schedule of Town contributions, on pages i-viii and 26-31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Moultonborough, New Hampshire's basic financial statements. The combining nonmajor governmental and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

A handwritten signature in black ink that reads "Vachon Olahay & Company PC". The signature is fluid and cursive, with "Vachon Olahay" on the first line and "& Company PC" on the second line.

Manchester, New Hampshire
July 7, 2016

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Our discussion and analysis of the financial performance of the Town of Moultonborough, NH is prepared to provide an overview of the Town's financial activities for the year ended December 31, 2015. Responsibility for both the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with the Board of Selectmen. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. We report this data in a manner designed to present fairly the Town's financial position and the results of operations of the various Town funds. All disclosures necessary to enable the reader to gain an accurate understanding of the Town's financial activities have been included.

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

Financial Highlights

- The assets and deferred outflows of resources of the Town of Moultonborough exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$15,103,556 (net position). Of this amount, \$2,129,724 (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$1,448,991.
- As of the close of the current fiscal year, the Town of Moultonborough's governmental funds reported combined ending fund balances of \$8,972,834, an increase of \$1,191,484 in comparison with the prior year. Of this total amount, \$8,653,366 is available for spending at the Town's discretion (unrestricted fund balance).
- At the end of the current fiscal year, the unassigned fund balance for the general fund was \$5,634,185 or 62% of total general fund expenditures in fiscal year 2015.
- The Town has long-term obligations payable at year end consisting of two capital leases totaling \$268,333 and compensated absences of \$190,088.
- The Town has an other post-employment benefits liability at year-end of \$1,922,819.
- The Town adopted GASB Statement 68 during the year and, at year end, had a net pension liability of \$4,744,912.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the Town of Moultonborough using the integrated approach prescribed by GASB Statement 34.

It is our intention that this discussion and analysis serve as an introduction to the Town's financial statements. The basic financial statements are comprised of the following three components:

- Government-Wide Financial Statements
- Fund Financial Statements
- Notes to the Basic Financial Statements

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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

The *statement of net position* presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *statement of activities* presents information showing how the Town's net position changed during the most recent fiscal year. We take all of the current year's revenues and expenses into account regardless of when cash is received or paid.

Fund financial statements. A *fund* is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. One can divide all the funds of the Town into two categories: governmental funds and fiduciary funds.

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

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

The Town maintains numerous individual governmental funds. We present information separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances for the General Fund, which is considered to be the Town's only major fund. We combine data from all other governmental funds into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining supplemental schedules accompanying this report as Supplemental Information.

The Town adopts an annual appropriation budget for its General Fund. A budgetary comparison schedule is provided for the General Fund as Required Supplementary Information to demonstrate compliance with this budget.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties other than the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the Town of Moultonborough. The Town's fiduciary funds consist of private-purpose trust funds and agency funds.

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

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Required supplementary information. The basic financial statements and accompanying notes are followed by a section of *required supplementary information*. This section includes a budgetary comparison schedule for the general fund, the Town's only major governmental fund with an adopted budget, and includes reconciliation between the statutory fund balance for budgetary purposes and the fund balance as presented in the governmental fund financial statements. In addition, there's a schedule of funding progress for other post-employment benefits, schedule of changes in the Town's proportionate share of the net pension liability, and a schedule of Town contributions.

Other supplementary information. The combining statements referred to previously in connection with non-major governmental funds and fiduciary funds are presented immediately following the required supplementary information.

Government-Wide Financial Analysis

Town of Moultonborough, NH
 Net Position

	<u>2015</u>	<u>2014</u>
Capital assets, net	\$ 12,922,697	\$ 12,483,717
Other assets	<u>15,637,737</u>	<u>14,545,659</u>
Total Assets	<u>28,560,434</u>	<u>27,029,376</u>
Deferred outflows of resources related to pensions	210,040	202,109
Total Deferred Outflows of Resources	<u>210,040</u>	<u>202,109</u>
Net pension liability	4,744,912	4,485,127
Long-term liabilities	2,229,668	2,138,940
Other liabilities	<u>6,284,903</u>	<u>6,156,325</u>
Total Liabilities	<u>13,259,483</u>	<u>12,780,392</u>
Deferred inflows of resources related to pensions	397,435	786,528
Other unearned revenue	<u>10,000</u>	<u>10,000</u>
Total Deferred Inflows of Resources	<u>407,435</u>	<u>796,528</u>
Net position:		
Net investment in capital assets	12,654,364	12,303,271
Restricted	319,468	153,768
Unrestricted	<u>2,129,724</u>	<u>1,197,526</u>
Total Net Position	<u>\$ 15,103,556</u>	<u>\$ 13,654,565</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the 2015 fiscal year, the Town's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$15,103,556. This is a \$1,448,991 increase in net position during 2015. This increase includes an increase in net investment in capital assets of \$351,093 and increases to the total restricted and unrestricted net position of \$1,097,898.

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

The largest portion of the Town's net position \$12,654,364 (84%) reflects its investment in capital assets (e.g., land, buildings, vehicles and equipment, infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town's capital leases payable at year-end of \$268,333 is our only related debt. The Town uses its capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$319,468 (2%), represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$2,129,724 (14%) may be used to meet the government's ongoing obligations to citizens and creditors.

During the year ended December 31, 2015, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions*. Under GASB Statement 68, the Town is required to report its proportional share of the New Hampshire Retirement System's unfunded pension liability as 'Net pension Liability' on the government-wide financial statements. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The restatement of the 2014 Net Position can be found in the *Changes in Net Position* table. See Note 5 to the basic financial statements for further information.

Town of Moultonborough, NH
Changes in Net position

	2015	2014
Revenues		
Program revenues:		
Charges for services	\$ 341,031	\$ 287,488
Operating grants and contributions	138,932	246,977
General revenues:		
Property and other taxes	7,797,513	7,674,210
Licenses and permits	1,422,760	1,393,838
Grants and contributions	195,722	196,218
Interest and investment earnings	26,003	24,310
Miscellaneous	209,803	271,977
Total revenues	<u>10,131,764</u>	<u>10,095,018</u>
Expenses		
General government	2,078,531	2,107,299
Public safety	2,588,804	2,767,210
Highways and streets	1,887,343	2,079,280
Sanitation	567,896	567,424
Health and welfare	187,088	207,643
Culture and recreation	1,368,439	1,000,284
Conservation	5,297	179,382
Total expenses	<u>8,683,398</u>	<u>8,908,522</u>

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015

Increase in net position before contributions to permanent fund principal	1,448,366	1,186,496
Contributions to permanent fund principal	<u>625</u>	<u>750</u>
Increase in net position	1,448,991	1,187,246
Net position, beginning of year	13,654,565	17,536,865
Restatement due to implementation of GASB Statement #68	<u>(5,069,546)</u>	
Net position, end of year	<u><u>\$ 15,103,556</u></u>	<u><u>\$ 13,654,565</u></u>

Governmental activities. The Town has no business-type activities therefore governmental activities were 100% responsible for the Town's total growth in net position of \$1,448,991. A key element of this increase is the increase in Cash and Cash Equivalents \$3,938,163 along with a decrease in Taxes Receivable (net) (\$2,881,460) totaling \$1,056,703. This can be attributed, in part, to final 2014 property tax bills being due January 15, 2015 and the final 2015 property tax bills being due December 21, 2015. Another key element is the increase in Capital Assets (net of depreciation) \$438,980.

Financial Analysis of the Government's Funds

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

Governmental funds. 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 fiscal year.

As of the end of 2015, the Town's governmental funds reported combined ending fund balances of \$8,972,834 an increase of \$1,191,484 in comparison with the prior year. Of this total amount, \$8,653,366 constitutes unrestricted fund balance, which is available for spending at the government's discretion. The remainder of fund balance is classified as either non-spendable or restricted to indicate that it is not available for new spending because it has already been restricted. The 2015 non-spendable fund balance includes permanent fund endowments used to generate income for purposes that support the Town's programs at the cemeteries (\$8,950) and the municipal library (\$83,623). The restricted fund balance includes donated funds to the library (\$209,578) that can only be for specific purposes such as building repairs and donated funds for the heritage commission of (\$720). The remaining restricted amount (\$16,597) represents library and cemetery income in the permanent funds.

The general fund is the chief operating fund of the Town. At the end of the 2015 fiscal year, unassigned fund balance of the general fund was \$5,634,185 while total fund balance was \$8,587,889. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance (62%) and total fund balance (95%) to total general fund expenditures of \$9,075,035. As defined by the Town's Fund Balance Policy, based upon our best estimates of the fiscal 2016 budgets for other entities, the unassigned fund balance will be approximately 22.9% in comparison to the target of 12.5%.

Total fund balance of the general fund increased \$1,217,492 during fiscal year 2015. Final revenues exceeded 2015 budgeted estimates by \$462,963, and the Town under expended its final budget by \$596,015.

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

There are six non-major governmental funds with a total fund balance of \$384,945, which experienced a slight decrease of (\$26,008) from the prior year.

General Fund Budgetary Highlights

During the year, the original budget for appropriations decreased by \$505,017. This decrease is the result of approved appropriations of \$477,671 being carried forward to 2016 plus a reduction in appropriations supported by revenues and transfers-in totaling \$27,346 that are not susceptible to accrual.

The Town under expended its 2015 budget by \$596,015. In part, this under expenditure resulted from a substantial reduction in premium costs when the Town changed to a new health benefit provider on January 1, 2015. Human Services only spent 44% of its budget due to a decrease in the need for assistance, and the Police Department had three vacant police officer positions which were held open through year end.

In 2012, the Town changed its health insurance offerings by adding an HMO plan. Employees hired before 2013 could choose between this and the existing POS plan, but new hires had to choose the HMO plan. As of 2015, all employees were on the HMO plan. In the past, employees were not required to contribute towards single coverage, but did contribute ten percent of the up-tick above a single plan for a two-person or family plan. This requirement did not change but employees had to start paying a percentage towards their single plan and other benefits (i.e. dental, life, and disability). This contribution reached the cap of ten percent in 2015. Employees hired after January 1, 2015, pay fifteen percent.

Capital Assets and Debt Administration

Capital Assets. The Town of Moultonborough considers a capital asset to be an asset whose cost exceeds \$5,000 and which has a useful life of greater than one (1) year. The Town depreciates its assets using the straight-line method over the course of their useful life beginning in the year after acquisition.

The total investment in capital assets for governmental activities at year end amounted to \$12,922,697 (net of accumulated depreciation), an increase of \$438,980 from the previous year. This investment in capital assets includes land, buildings, improvements, vehicles and equipment, park facilities and roads.

Major capital asset events during the current fiscal year included the purchase of an initial attack pumper for the Fire Department, a Caterpillar loader for the Public Works Department, and two Ford Explorers for the Police Department. The Town did rehabilitation/reconstruction of Lee Road (3200'), Ossipee Mountain Road (2900') and Randall Road (1500'). The Soccer Field Rehabilitation was also completed.

<u>Capital Assets (net of depreciation) Governmental Activities</u>	<u>2015</u>	<u>2014</u>
Land and improvements	\$ 2,548,039	\$ 2,151,559
Buildings and improvements	4,648,156	4,744,339
Vehicles and equipment	2,338,930	2,125,068
Infrastructure	3,359,572	2,832,422
Construction in progress	28,000	630,329
Total	<u>\$ 12,922,697</u>	<u>\$ 12,483,717</u>

Additional information on capital assets can be found in Note 3 to the basic financial statements.

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

Long-Term Obligations. At the end of the current fiscal year, total bonded debt outstanding remained at zero. Capital leases payable was \$268,333 which is a \$87,887 increase from 2014 due to scheduled payments on existing obligations including the new lease of a HME Fire Truck.

Outstanding Debt Governmental Activities <u>General Obligation Bonds and Capital Lease Payable</u>	2015	2014
General obligation bonds	\$ -	\$ -
Capital leases	<u>268,333</u>	<u>180,446</u>
Total	<u><u>268,333</u></u>	<u><u>180,446</u></u>

The balance of compensated absences payable of \$190,088 had a net decrease of \$34,342 in potential future payments.

The net Other Post-Employment Benefits (OPEB) obligation at the end of 2015 was \$1,922,819 which is a \$188,755 increase from the previous year. This represents the value provided to retirees through an implicit rate subsidy gained through lower insurance premiums than what a retiree might otherwise pay if they were on a different plan from other employees. The Town employs a *pay-as-you-go* basis to fund the plan and has not advance funded its obligation; therefore, the liability will continue to increase.

The Net Pension Liability at the end of 2015 was \$4,744,912 which is a \$259,785 increase from the previous year. This represents the Town's proportionate share of the New Hampshire Retirement System's total net pension liability, which is required to be reported due to the Town's participation in the cost-sharing multiple-employer defined benefit pension plan.

See Note 5, 6 and 7, to the basic financial statements, for additional information for all long-term liabilities.

Economic Factors, Rates and 2015 Budget

The NH Department of Revenue Administration (DRA) sets the Annual Tax Rate for the Town of Moultonborough based on the Annual Budget approved at Town Meeting and adjusted for actual revenues and expenditures throughout the year. The Town collects property taxes to fund its own operations and that of School Administrative Unit #45. The property tax also pays the levy placed on the Town by Carroll County and the State of New Hampshire in the Statewide Property Tax for Education. The Town bills for property taxes semi-annually. Tax billing occurs according to the laws of the State of New Hampshire, under the supervision of the DRA. The first billing is an estimate based on the previous year's tax rate applied to the current year's assessments. The second billing utilizes the actual tax rate for the year as established by the New Hampshire DRA applied to the current year's assessment.

The following is a comparison of the 2015 to the 2014 tax rates:

	2015	2014
Town rate	\$ 2.85	\$ 2.85
Local school rate	2.20	2.26
State school rate	2.54	2.53
County rate	1.42	1.22
Total rate	<u><u>\$ 9.01</u></u>	<u><u>\$ 8.86</u></u>

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2015**

At the end of 2015, national real estate trends continue to look positive. There is ample supply of property for sale and mortgage rates remain low. According to the New Hampshire Association of Realtors, 2015 was the best year since the recession. Statistics from January through November show closed sales in Carroll County were up over eleven percent and the average sale price was up over ten percent.

According to the Lakes Region Board of Realtors, there are now ninety-nine residential properties for sale in Moultonborough and seventeen of those have asking prices over one million dollars. We had 144 sales listed in the MLS in 2015 with sixteen selling for over one million dollars.

The results of the 2015 Moultonborough statistical update show average overall assessed values increasing by one-third of one percent. Condominiums increased by five percent. Commercial values increased by one-half of one percent. Two hundred twenty-eight qualified sales from 4/1/2013-3/31/2015 were used in the analysis, of which sixty were waterfront properties. Although the averaged assessed value went up slightly, not every assessed value showed an increase. Some assessed values went down and some stayed the same.

In 2015, Vision Government Solutions completed the fourth year of our measure-and-list project to update the physical data for all properties in the town. During these four years, they inspected all the properties near Squam Lake, the Center Harbor area, Long Island, and all of Moultonborough Neck.

Requests for Information

This financial report provides our citizens and creditors with a general overview of the Town of Moultonborough's finances. It demonstrates accountability for the funds the Town receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Administration Department, or the Board of Selectmen, at P.O. Box 139, Moultonborough, NH 03254. You may also call them at (603) 476-2347, stop by Town Hall at 6 Holland Street, or visit our website at www.moultonboroughnh.gov and click on *Departments and Boards* for our various email addresses.

EXHIBIT A
TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
Statement of Net Position
December 31, 2015

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 13,894,338
Investments	616,247
Taxes receivable, net	1,096,457
Accounts receivable	30,695
Total Current Assets	<u>15,637,737</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	1,328,833
Depreciable capital assets, net	<u>11,593,864</u>
Total Noncurrent Assets	<u>12,922,697</u>
Total Assets	<u>28,560,434</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	210,040
Total Deferred Outflows of Resources	<u>210,040</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	100,580
Accrued expenses	100,139
Deposits	246
Due to other governments	5,932,366
Current portion of capital leases payable	131,771
Current portion of compensated absences payable	<u>19,801</u>
Total Current Liabilities	<u>6,284,903</u>
Noncurrent Liabilities:	
Capital leases payable	136,562
Compensated absences payable	170,287
Other post-employment benefits payable	1,922,819
Net Pension Liability	<u>4,744,912</u>
Total Noncurrent Liabilities	<u>6,974,580</u>
Total Liabilities	<u>13,259,483</u>
DEFERRED INFLOWS OF RESOURCES	
Other unearned revenue	10,000
Deferred inflows of resources related to pensions	<u>397,435</u>
Total Deferred Inflows of Resources	<u>407,435</u>
NET POSITION	
Net investment in capital assets	12,654,364
Restricted	319,468
Unrestricted	2,129,724
Total Net Position	<u>\$ 15,103,556</u>

See accompanying notes to the basic financial statements

EXHIBIT B

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE

Statement of Activities

For the Year Ended December 31, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Position
	<u>Expenses</u>	Charges for <u>Services</u>	Operating Grants and <u>Contributions</u>	
Governmental Activities:				
General government	\$ 2,078,531	\$ 17,978		\$ (2,060,553)
Public safety	2,588,804	44,920		(2,543,884)
Highways and streets	1,887,343		\$ 137,132	(1,750,211)
Sanitation	567,896	194,749		(373,147)
Health and welfare	187,088			(187,088)
Culture and recreation	1,368,439	83,384	1,800	(1,283,255)
Conservation	5,297			(5,297)
Total governmental activities	<u>\$ 8,683,398</u>	<u>\$ 341,031</u>	<u>\$ 138,932</u>	<u>(8,203,435)</u>
General revenues:				
Property and other taxes				7,797,513
Licenses and permits				1,422,760
Grants and contributions:				
Rooms and meals tax distribution				195,722
Interest and investment earnings				26,003
Miscellaneous				209,803
Contributions to permanent fund principal				<u>625</u>
Total general revenues and contributions to permanent fund principal				<u>9,652,426</u>
Change in net position				<u>1,448,991</u>
Net position - beginning, as restated				<u>13,654,565</u>
Net position - ending				<u>\$ 15,103,556</u>

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2015

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 13,514,983	\$ 379,355	\$ 13,894,338
Investments	616,247		616,247
Taxes receivable, net	1,096,457		1,096,457
Accounts receivable	30,695		30,695
Due from other funds		5,590	5,590
Total Assets	<u>15,258,382</u>	<u>384,945</u>	<u>15,643,327</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 15,258,382</u>	<u>\$ 384,945</u>	<u>\$ 15,643,327</u>
LIABILITIES			
Accounts payable	\$ 100,580		\$ 100,580
Accrued expenses	100,139		100,139
Deposits	246		246
Due to other governments	5,932,366		5,932,366
Due to other funds	5,590		5,590
Total Liabilities	<u>6,138,921</u>	<u>\$ -</u>	<u>6,138,921</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned property tax revenue	521,572		521,572
Other unearned revenue	10,000		10,000
Total Deferred Inflows of Resources	<u>531,572</u>	<u>-</u>	<u>531,572</u>
FUND BALANCES			
Nonspendable		92,573	92,573
Restricted	209,578	17,317	226,895
Committed	2,533,151	275,055	2,808,206
Assigned	210,975		210,975
Unassigned	5,634,185		5,634,185
Total Fund Balances	<u>8,587,889</u>	<u>384,945</u>	<u>8,972,834</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 15,258,382</u>	<u>\$ 384,945</u>	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			12,922,697
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis			521,572
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds:			
Deferred outflows of resources related to net pension liability			210,040
Deferred inflows of resources related to net pension liability			(397,435)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:			
Capital leases payable			(268,333)
Compensated absences payable			(190,088)
Other post-employment benefits payable			(1,922,819)
Net Pension Liability			(4,744,912)
Net Position of Governmental Activities	<u>\$ 15,103,556</u>		

See accompanying notes to the basic financial statements

EXHIBIT D

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 7,868,775	\$ 5,150	\$ 7,873,925
Licenses and permits	1,422,760		1,422,760
Intergovernmental	334,654		334,654
Charges for services	250,577	90,454	341,031
Interest and investment income	24,700	1,303	26,003
Miscellaneous	209,803	625	210,428
Total Revenues	10,111,269	97,532	10,208,801
Expenditures:			
Current operations:			
General government	2,016,034		2,016,034
Public safety	2,507,163	6,981	2,514,144
Highways and streets	1,531,753		1,531,753
Sanitation	533,024		533,024
Health and welfare	187,088		187,088
Culture and recreation	1,061,659	110,759	1,172,418
Conservation		5,297	5,297
Capital outlay	1,238,314		1,238,314
Total Expenditures	9,075,035	123,037	9,198,072
Excess revenues over (under) expenditures	1,036,234	(25,505)	1,010,729
Other financing sources (uses):			
Capital lease proceeds	180,755		180,755
Transfers in	503		503
Transfers out		(503)	(503)
Total other financing sources (uses)	181,258	(503)	180,755
Net change in fund balances	1,217,492	(26,008)	1,191,484
Fund balances at beginning of year	7,370,397	410,953	7,781,350
Fund balances at end of year	\$ 8,587,889	\$ 384,945	\$ 8,972,834

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
**Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities**
For the Year Ended December 31, 2015

Net Change in Fund Balances--Total Governmental Funds	\$ 1,191,484
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	438,980
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(76,412)
Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	92,868
Some expenses reported in the statement of activities, such as compensated absences and other post-employment benefits, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(154,413)
Proceeds from capital leases are reported as other financing sources in the funds, but a capital lease increases long-term liabilities in the statement of net position.	(180,755)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense reflects the changes in the net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which pension contributions exceeded pension expense in the current period.	137,239
Change in Net Position of Governmental Activities	\$ 1,448,991

See accompanying notes to the basic financial statements

EXHIBIT E

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE

Statement of Fiduciary Net Position

Fiduciary Funds

December 31, 2015

	Private- Purpose <u>Trust Funds</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 86,121	\$ 366,119
Investments	28,020	495,758
Total Assets	<u>114,141</u>	<u>\$ 861,877</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>
LIABILITIES		
Due to other governments		\$ 843,337
Deposits		18,540
Accounts payable	<u>1,114</u>	<u>-</u>
Total Liabilities	<u>1,114</u>	<u>\$ 861,877</u>
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>
NET POSITION		
Held in trust	<u>113,027</u>	
Total Net Position	<u>\$ 113,027</u>	

See accompanying notes to the basic financial statements

EXHIBIT F

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE**Statement of Changes in Fiduciary Net Position****Fiduciary Funds**

For the Year Ended December 31, 2015

	Private- Purpose <u>Trust Funds</u>
ADDITIONS:	
Contributions:	
Private donations	\$ 9,954
Total Contributions	<u>9,954</u>
Investment Earnings:	
Interest income	<u>1,240</u>
Total Investment Earnings	<u>1,240</u>
Total Additions	<u>11,194</u>
DEDUCTIONS:	
Benefits	<u>7,324</u>
Total Deductions	<u>7,324</u>
Change in net position	3,870
Net position - beginning of year	<u>109,157</u>
Net position - end of year	<u>\$ 113,027</u>

See accompanying notes to the basic financial statements

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2015

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The Town of Moultonborough, New Hampshire (the “Town”) was incorporated in 1777. The Town operates under the Town Meeting/Board of Selectmen form of government and performs local governmental functions authorized by State law.

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

Basis of Presentation

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

1. Government-Wide Financial Statements:

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

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

2. Fund Financial Statements:

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

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2015**

Fund Accounting

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

1. Governmental Funds:

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

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

2. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town maintains private-purpose trust funds which account for monies designated to benefit individuals within the Town. The Town's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Town's agency funds consist of capital reserve funds of the Moultonborough School District, which are held by the Town as required by State law. Other agency funds consist of developer's performance deposits.

Measurement Focus

1. Government-Wide Financial Statements:

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

2. Fund Financial Statements:

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

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2015

explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private-purpose trust funds are reported using the economic resources measurement focus.

Basis of Accounting

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

1. Revenues – Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 11). 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 specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

2. Unearned Revenue:

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

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2015**

3. Expenses/Expenditures:

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

Budgetary Data

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

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2015, the Town applied \$575,000 of its unappropriated fund balance to reduce taxes.

Investments

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

Taxes Receivable

Taxes levied during the current year and prior and uncollected at December 31, 2015 are recorded as receivables net of reserves for estimated uncollectibles of \$50,000.

Capital Assets

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

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

The Town is not required to retroactively report its general infrastructure (e.g. roads, bridges, and sidewalks). Infrastructure records have been maintained effective January 1, 2004 and are included in these financial statements.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacement.

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2015

Depreciation is computed using the straight-line method over the following useful lives:

	<u>Description</u>	<u>Years</u>
Infrastructure		10-30
Land improvements		25
Buildings and improvements		15-50
Vehicles and equipment		3-25

Compensated Absences

Dependent on length of service, employees earn leave time at 3 to 6 hours per week. Upon voluntary separation of employment from the Town, employees shall be compensated for unused leave time at current rates of pay up to a maximum of 240 hours for full-time employees and 120 hours for part-time employees.

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

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current year. Capital leases and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Pensions

During the year ended December 31, 2015, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 68 - *Accounting and Financial Reporting for Pensions*. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Net Position

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

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2015

are not included in the determination of net investment in capital assets or the restricted components of net position.

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

Fund Balance Policy

Under GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Town has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. The components of fund balance are defined as follows:

- **Nonspendable Fund Balance**: Amounts that are not in a spendable form or are required to be maintained intact.
- **Restricted Fund Balance**: Amounts that can only be spent for the specific purpose stipulated by external resource providers or limitations imposed by enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or enabling legislation.
- **Committed Fund Balance**: Includes amounts that can be used only for the specific purposes imposed by a formal action of the Town's highest level of decision making authority (the Town Meeting). Commitments may be changed or lifted only by taking the same formal action that imposed the constraint originally.
- **Assigned Fund Balance**: Amounts the Town intends to use, as established by the highest level of decision making authority (Town Meeting) or the body of official designated by that level, for a specific purpose. All appropriations shall lapse at the end of the fiscal year unless authorized with the provisions of RSA 32:7. For all governmental funds, other than the General Fund, any remaining positive amounts are to be classified as "Assigned".
- **Unassigned Fund Balance**: Amounts that are not obligated or specifically designated for a specified use and are available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit balance of another governmental fund is also classified as unassigned.

Spending Prioritizations

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

Minimum Level of Unassigned Fund Balance

It is the Town's intent to maintain a target level of 12.5% of its total gross annual appropriations in the unassigned fund balance in the General Fund. The target shall be calculated by dividing the unassigned fund balance at year end of a given fiscal year by the total of the annual gross appropriations or levies upon the community to include the Town, County, School District, and State-Wide Education Property for the current fiscal year. Amounts above that may be considered excess.

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2015

If the unassigned fund balance drops below the target level, the Town Administrator shall so notify the Board making recommendations as to advisable actions for its consideration, including but not limited to, a spending or hiring freeze until the unassigned fund balance has recovered to the target level. If this cannot be accomplished in a prudent manner over a period of three years, the Board shall consider recommended revenue increases in the next budget year.

Excess unassigned fund balance may be expended for the following: emergency situations which may cause an over-expenditure of total appropriations in accordance with the provisions of RSA 32:11, to reduce the property tax rate, to fund underfunded trust funds or capital reserves, or to increase capital outlay beyond that normally anticipated.

Interfund Activity

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

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 2—DEPOSITS AND INVESTMENTS

Deposits and investments as of December 31, 2015 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 13,894,338
Investments	616,247
Statement of Fiduciary Net Position:	
Cash and cash equivalents	452,240
Investments	<u>523,778</u>
	<u>\$ 15,486,603</u>

Deposits and investments at December 31, 2015 consist of the following:

Deposits with financial institutions	\$ 15,434,864
Investments	<u>51,739</u>
	<u>\$ 15,486,603</u>

The Town's investment policy for governmental fund types requires that deposits be made in federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the State and federally insured banks outside the State, if such banks pledge and deliver collateral security to a third party custodial bank or the Federal Reserve Bank. The Town limits its investments for

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2015

governmental fund types to the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool in accordance with New Hampshire State law and federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the State to the following investment types: money market accounts, certificates of deposit, repurchase agreements, all other types of interest bearing accounts, or obligations fully guaranteed as to principal and interest by the United States government. Responsibility for the investments of the Trust Funds is with the Board of Trustees. Investments of the library funds are at the discretion of the Library Trustees.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. For assurance against custodial credit risk, the Town's investment policy requires that all deposits with financial institutions be collateralized with pledged securities that shall be equal or in excess of the amount of the public funds deposited, less any portion thereof covered by federal deposit insurance. Collateralization must remain in effect so long as Town assets remain on deposit.

Of the Town's deposits with financial institutions at year end, \$14,393,512 was collateralized by securities held by the bank in the bank's name. As of December 31, 2015, Town investments in unrated mutual funds totaling \$51,739 were held by the same counterparty that was used to buy the securities.

NOTE 3—CAPITAL ASSETS

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

	<u>Balance</u> <u>01/01/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/15</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 1,300,833			\$ 1,300,833
Construction in progress	630,329	\$ 28,000	\$ (630,329)	28,000
Total capital assets not being depreciated	<u>1,931,162</u>	<u>28,000</u>	<u>(630,329)</u>	<u>1,328,833</u>
Other capital assets:				
Infrastructure	3,387,265	720,432		4,107,697
Land improvements	1,240,516	464,688		1,705,204
Buildings and improvements	6,242,946	35,000		6,277,946
Vehicles and equipment	4,393,902	486,871		4,880,773
Total other capital assets at historical cost	<u>15,264,629</u>	<u>1,706,991</u>	<u>-</u>	<u>16,971,620</u>
Less accumulated depreciation for:				
Infrastructure	(554,843)	(193,282)		(748,125)
Land improvements	(389,790)	(68,208)		(457,998)
Buildings and improvements	(1,498,607)	(131,183)		(1,629,790)
Vehicles and equipment	(2,268,834)	(273,009)		(2,541,843)
Total accumulated depreciation	<u>(4,712,074)</u>	<u>(665,682)</u>	<u>-</u>	<u>(5,377,756)</u>
Total other capital assets, net	<u>10,552,555</u>	<u>1,041,309</u>	<u>-</u>	<u>11,593,864</u>
Total capital assets, net	<u>\$12,483,717</u>	<u>\$ 1,069,309</u>	<u>\$ (630,329)</u>	<u>\$ 12,922,697</u>

**TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2015**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 76,815
Public safety	180,456
Highways and streets	318,475
Sanitation	11,305
Culture and recreation	78,631
Total governmental activities depreciation expense	<u>\$ 665,682</u>

The balance of capital assets acquired through capital lease issuances as of December 31, 2015 is as follows:

Vehicles and equipment	\$ 661,855
Less: Accumulated depreciation	<u>(70,585)</u>
	<u>\$ 591,270</u>

NOTE 4—DUE TO OTHER GOVERNMENTS

In accordance with State law, the Town collects taxes for the Moultonborough School District, Carroll County, and the State of New Hampshire, all independent governmental units, which are remitted to them as required by law. At December 31, 2015, the balance of the property tax appropriation due to the Moultonborough School District is \$5,932,366.

NOTE 5—DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

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

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

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2015

Benefits Provided

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

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

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

Funding Policy

Covered police officers and fire employees are required to contribute 11.55% and 11.80%, respectively, of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers, fire employees, and general employees were 21.35%, 23.79%, and 10.44%, respectively, though June 30, 2015 and 22.54%, 25.32%, and 10.86%, respectively, thereafter. The Town contributed 100% of the employer cost for public safety and general employees of the Town.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. Contributions to the pension plan for the Town were \$399,448 for the year ended December 31, 2015.

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

At December 31, 2015, the Town reported a liability of \$4,744,912 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2014. The Town's proportion of the net pension liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2015

30, 2015, the Town's proportion was approximately 0.1198 percent, which was an increase of 0.0003 from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Town recognized pension expense of \$262,669. At December 31, 2015, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$ 104,122
Net difference between projected and actual earnings on pension plan investments		126,814
Changes in proportion and differences between Town contributions and proportionate share of contributions	\$ 9,853	166,499
Town contributions subsequent to the measurement date	<u>200,187</u>	<u> </u>
Total	<u><u>\$ 210,040</u></u>	<u><u>\$ 397,435</u></u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions is reflected as a decrease to unrestricted net position in the amount of \$187,395. The Town reported \$200,187 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>December 31</u>	
2016	\$ (135,263)
2017	(135,263)
2018	(135,263)
2019	26,662
2020	<u>(8,455)</u>
	<u><u>\$ (387,582)</u></u>

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to 2015 measurements:

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2015

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

Mortality rates were based on the RP-2000 mortality table projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements. Retirement rates were based on a table of rates that are specific to the type of eligibility condition, last updated in 2011 pursuant to an experience study of the period July 1, 2005 – June 30, 2010.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Net of inflation assumption of 3.0%)</u>
Fixed income	25%	(1.00)-0.28%
Domestic equity	30%	3.00%
International equity	20%	4.00-6.00%
Real estate	10%	3.50%
Private equity	5%	5.50%
Private debt	5%	4.50%
Opportunistic	5%	2.75%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the collective pension liability.

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2015

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.75 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease (6.75%)	Current (7.75%)	1% Increase (8.75%)
Town's proportionate share of the net pension liability	\$ 6,246,059	\$ 4,744,912	\$ 3,465,174

NOTE 6—OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the Town provides dental, medical, pharmacy, and vision benefits to its eligible retirees and their covered dependents. Retirees over the age of 65 are covered by the Medicare supplemental plan. The following groups of retirees qualify for this benefit: Group I employees are required to reach age 60 with no minimum service requirement; Group II employees are eligible at age 55 with 20 years of service or at age 60 with no minimum service requirement. Retirees and surviving spouses pay the full costs of the benefits premiums. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of December 31, 2015, the alternative measurement method valuation date, no retirees and approximately 43 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

Annual OPEB Costs

The Town's annual OPEB expense for the year ended December 31, 2015 is calculated based on the annual required contribution of the employer (ARC) an amount determined using the alternative measurement method in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid, on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of thirty years. The Town's annual OPEB cost for the year ending December 31, 2015, including the amount actually contributed to the plan and the change in the Town's net OPEB obligation based on the alternative measurement method valuation is as follows:

Annual Required Contribution (ARC)	\$ 228,619
Interest on Net OPEB obligation (NOO)	26,011
Adjustment to ARC	<u>(58,929)</u>
Annual OPEB Cost	195,701
Age Adjusted Contributions made	<u>(6,946)</u>
Increase in Net OPEB obligation	188,755
Net OPEB obligation - beginning of year	<u>1,734,064</u>
Net OPEB obligation - end of year	<u><u>\$ 1,922,819</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2015, 2014 and 2013 are as follows:

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2015

Fiscal Year <u>Ended</u>	Annual <u>OPEB Cost</u>	Percentage of OPEB Cost <u>Contributed</u>	Net OPEB <u>Obligation</u>
12/31/2015	\$ 195,701	3.5%	\$ 1,922,819
12/31/2014	\$ 243,378	3.5%	\$ 1,734,064
12/31/2013	\$ 375,060	2.6%	\$ 1,499,207

The Town's net OPEB obligation as of December 31, 2015 is recognized as a liability of the governmental activities in these financial statements.

Funded Status and Funding Progress for OPEB

The funded status of the plan as of December 31, 2015, the date of the most recent alternative measurement method valuation is as follows:

Actuarial Accrued Liability (AAL)	\$ 1,476,648
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 1,476,648</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 2,525,468
UAAL as a percentage of covered payroll	58.47%

The alternative measurement method valuation involves estimates of the value of reported amounts and assumptions about the probability of events in the future. The total cost of providing post-employment benefits is projected, taking into account assumptions about current claim cost, turnover, mortality, health care trends, and other key assumptions. Internally generated key assumptions, based on recent trends within the Town, include general considerations, expected point at which benefits begin, and marital and dependency status. Mortality assumptions were derived from the RP2000 Mortality Table. Turnover assumptions were based on the Standard Turnover Assumptions from GASB No. 45, Paragraph 35b. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions for OPEB

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

For the December 31, 2015 alternative measurement method valuation the Entry Age Cost Method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The Town employs the Pay-as-you-go basis to fund the plan. The actuarial valuation assumptions include a 1.5% investment rate of return and initial annual healthcare cost trends of 8.5%, 8.0%, 5.0%, and 3.0% for health, pharmacy, dental, and vision, respectively. The annual healthcare cost trends are reduced to

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2015

ultimate long-term rates after ten years of 5.0%, 4.7%, 3.0%, and 3.0%, for health, pharmacy, dental, and vision benefits, respectively. The amortization costs for the initial Unfunded Actuarial Accrued Liability (UAAL) is a level percentage of payroll for a period of thirty years on a closed group basis. This has been calculated assuming the amortization payment increases at a rate of 4.0% per year.

NOTE 7—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town's long-term obligations for the year ended December 31, 2015 are as follows:

	<u>Balance 1/1/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2015</u>	<u>Due Within One Year</u>
Governmental activities:					
Capital leases payable	\$ 180,446	\$ 180,755	\$ (92,868)	\$ 268,333	\$ 131,771
Compensated absences payable	224,430	18,885	(53,227)	190,088	19,801
	<u>\$ 404,876</u>	<u>\$ 199,640</u>	<u>\$ (146,095)</u>	<u>\$ 458,421</u>	<u>\$ 151,572</u>

Payments made on the capital lease obligations are paid out of the General Fund. Compensated absences payments will also be paid from the General Fund.

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of vehicle acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable functions. The following are the individual capital lease obligations outstanding at December 31, 2015:

Initial Attack Pumper, due in annual installments of \$48,223, including interest at 2.94%, through March 2019	\$ 180,755
HME Fire truck, due in annual installments of \$89,906, including interest at 2.66%, through December 2016	<u>87,578</u>

Debt service requirements to retire capital lease obligations outstanding at December 31, 2015 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 131,771	\$ 6,358	\$ 138,129
2017	44,208	4,015	48,223
2018	45,508	2,715	48,223
2019	46,846	1,377	48,223
	<u>\$ 268,333</u>	<u>\$ 14,465</u>	<u>\$ 282,798</u>

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2015

NOTE 8—INTERFUND BALANCES

Charges for services collected by the General Fund on-behalf of the Recreation Fund, a Nonmajor Governmental Fund, and not reimbursed prior to year end are payable to the Recreation Fund. Additionally, fifty percent of all land use change taxes collected during the year by the General Fund up to \$20,000, is to be paid over to the Conservation Fund, a Nonmajor Governmental Fund, and is recognized as an interfund payable at year end. Interfund balances at December 31, 2015 are as follows:

	<i>Due from other funds</i>	<i>Due to other funds</i>
General Fund		\$ 5,590
Nonmajor Governmental Funds:		
Recreation Fund	\$ 440	
Conservation Fund	<u>5,150</u>	
	<u>\$ 5,590</u>	<u>\$ 5,590</u>

NOTE 9—RESTRICTED NET POSITION

Net position is restricted for specific purposes at December 31, 2015 as follows:

Permanent Funds - Principal	\$ 92,573
Permanent funds - Income	16,597
Library	209,578
Heritage Commission	<u>720</u>
	<u>\$ 319,468</u>

NOTE 10—COMPONENTS OF FUND BALANCE

The components of the Town's fund balance for its governmental funds at December 31, 2015 are as follows:

<u>Fund Balances</u>	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:			
Permanent Funds - Principal		\$ 92,573	\$ 92,573
Restricted for:			
Library	\$ 209,578		209,578
Heritage Commission		720	720
Permanent Funds - Income		16,597	16,597

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2015

Committed for:		
Continuing appropriations	477,671	477,671
Capital reserves	1,829,921	1,829,921
Expendable trusts	207,639	207,639
Encumbrances	17,920	17,920
Conservation	45,797	45,797
Town Property Acquisition trust	104,187	104,187
Police Detail	3,369	3,369
Recreation	121,702	121,702
Assigned for:		
Encumbrances	210,975	210,975
Unassigned:		
Unassigned - General operations	<u>5,634,185</u>	<u>5,634,185</u>
	<u>\$ 8,587,889</u>	<u>\$ 384,945</u>
		<u><u>\$ 8,972,834</u></u>

NOTE 11—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$2,734,134,686 as of April 1, 2015) and are due in two installments on July 1, 2015 and December 21, 2015. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

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

In accordance with State law, the Town collects taxes for the Moultonborough School District and Carroll County, both independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$12,880,860 and \$3,873,586 for the Moultonborough School District and Carroll County, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes.

NOTE 12—RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2015, the Town was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

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

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2015

These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2015.

Property and Liability Insurance

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

Worker's Compensation

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

NOTE 13—COMMITMENTS AND CONTINGENCIES

Ambulance Contract

During January 2006, the Town of Moultonborough and several neighboring towns entered into a long-term contract with an independent company to provide emergency ambulance services. The agreement was in effect from April 1, 2006 through March 31, 2011. In March 2011, the Town extended the agreement through June 30, 2016. Terms of the new agreement provide for monthly payments from each town based on a distribution formula comprised of both fixed and variable costs. The fixed cost for each town is based on 25% of the total contract price equally allocated among the towns. The variable cost component is based on the actual usage of services by each town. The usage will be recalculated each year based on the run volume during the period of October 1 through September 30 of the preceding year. The annual contract price is subject to an annual cost of living adjustment in accordance with the State of New Hampshire Consumer Price Index (CPI) as referenced by the New Hampshire Employment Security, Consumer Price Index – Northeast Region CPI Components.

For the year ended December 31, 2015, the Town expended \$216,462 under the terms of the emergency ambulance service agreement.

Solid Waste Contract

During April 2010, the Town renewed its long-term contract with an independent company to collect and transport municipal solid waste from the transfer station through March 31, 2015. Yearly increases for transportation and disposal will be based on the Consumer Price Index for All Urban Consumers for the preceding calendar year from November to the previous November and implemented every April 1st for the duration of the five year agreement.

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2015

For the year ended December 31, 2015, the Town expended \$134,177 under the terms of the agreement.

Appraisal Contract

During November 2008, the Town entered into a long-term contract with an independent company to provide annual assessing and revaluation services. The agreement was in effect from August 2009 through August 2013. During November 2013, the Town renewed its contract with the company to provide services through December 31, 2017. The terms of the new agreement require annual payments of \$68,500. For the year ended December 31, 2015, the Town expended \$68,500 under the terms of the agreement.

Visiting Nurse Services

During November 2013, the Town entered into a long-term agreement to transfer the Town's visiting nurse services to an independent non-profit organization. The contract covers the period from the effective date of the agreement in November 2013 through December 31, 2016. Terms of the agreement provide for the Town to pay \$48,000 per annum, made in quarterly payments, to support the compensation of a transferred employee and \$18,000 per annum, made in quarterly payments, to offset the costs of services provided to residents of the Town but 'written-off' due to lack of reimbursement by the resident, or an insurance carrier on their behalf. Any payments associated with compensation support or 'write-offs' to be made for the period of time after June 30, 2014 shall be subject to annual appropriation by the Town Meeting. For the year ended December 31, 2015, the Town expended \$66,108 under the terms of the agreement.

Litigation

There may be various claims and suits pending against the Town, which arise in the normal course of the Town's activities. In the opinion of Town management, any potential claims against the Town, which are not covered by insurance are immaterial and would not affect the financial position of the Town.

NOTE 14—RESTATEMENT OF NET POSITION

During the year ended December 31, 2015, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 68 - *Accounting and Financial Reporting for Pensions*, as described in Note 1 of these financial statements. The impact on net position of the Governmental Activities as of January 1, 2015 is as follows:

Net Position - January 1, 2015 (as previously reported)	\$ 18,724,111
Amount of restatement due to:	
Net pension liability	(4,485,127)
Deferred inflows related to pension	(786,528)
Deferred outflows related to pension	202,109
Net Position - January 1, 2015, as restated	<u>\$ 13,654,565</u>

SCHEDULE 1

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE

Schedule of Revenues, Expenditures and Changes in Fund Balance

Budget and Actual (Budgetary Basis) - General Fund

For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>			<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual Amounts</u>	
Revenues:				
Taxes	\$ 7,563,515	\$ 7,563,515	\$ 7,792,363	\$ 228,848
Licenses and permits	1,147,500	1,147,500	1,422,760	275,260
Intergovernmental	331,675	331,675	334,654	2,979
Charges for services	267,500	267,500	250,577	(16,923)
Interest income	15,000	15,000	10,087	(4,913)
Miscellaneous	199,860	199,860	177,572	(22,288)
Total Revenues	<u>9,525,050</u>	<u>9,525,050</u>	<u>9,988,013</u>	<u>462,963</u>
Expenditures:				
Current operations:				
General government	2,246,244	2,231,724	2,014,883	216,841
Public safety	2,657,318	2,662,398	2,565,370	97,028
Highways and streets	1,729,192	1,734,342	1,675,528	58,814
Sanitation	542,746	543,796	533,024	10,772
Health and welfare	276,406	276,406	186,088	90,318
Culture and recreation	736,044	739,284	700,786	38,498
Capital outlay	1,636,018	1,131,001	1,047,257	83,744
Total Expenditures	<u>9,823,968</u>	<u>9,318,951</u>	<u>8,722,936</u>	<u>596,015</u>
Excess revenues over (under) expenditures	<u>(298,918)</u>	<u>206,099</u>	<u>1,265,077</u>	<u>1,058,978</u>
Other financing sources (uses):				
Transfers in	267,312	239,966	211,589	(28,377)
Transfers out	(709,500)	(709,500)	(709,500)	-
Total other financing sources (uses)	<u>(442,188)</u>	<u>(469,534)</u>	<u>(497,911)</u>	<u>(28,377)</u>
Net change in fund balance	(741,106)	(263,435)	767,166	1,030,601
Fund balance at beginning of year				
- Budgetary Basis	<u>5,866,262</u>	<u>5,866,262</u>	<u>5,866,262</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 5,125,156</u>	<u>\$ 5,602,827</u>	<u>\$ 6,633,428</u>	<u>\$ 1,030,601</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE

Schedule of Funding Progress for Other Post-Employment Benefits

For the Year Ended December 31, 2015

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2015	\$ -	\$ 1,476,648	\$ 1,476,648	0%	\$ 2,525,468	58.5%
12/31/2014	\$ -	\$ 1,652,995	\$ 1,652,995	0%	\$ 2,770,046	59.7%
12/31/2013	\$ -	\$ 2,647,835	\$ 2,647,835	0%	\$ 2,698,615	98.1%

See accompanying notes to the required supplementary information

SCHEDULE 3

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE

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

For the Year Ended December 31, 2015

	For the Measurement Period Ended June 30:		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Town's proportion of the net pension liability (asset)	0.1198%	0.1195%	0.1255%
Town's proportionate share of the net pension liability (asset)	\$ 4,744,912	\$ 4,485,127	\$ 5,401,360
Town's covered payroll	\$ 2,782,627	\$ 2,680,456	\$ 2,777,588
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	170.52%	167.33%	194.46%
Plan fiduciary net position as a percentage of the total pension liability	65.47%	66.32%	59.81%

SCHEDULE 4
TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
Schedule of Town Contributions
For the Year Ended December 31, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 399,448	\$ 382,302	\$ 364,888
Contributions in relation to the contractually required contribution	<u>(399,448)</u>	<u>(382,302)</u>	<u>(364,888)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 2,682,379	\$ 2,609,916	\$ 2,856,978
Contributions as a percentage of covered-employee payroll	14.89%	14.65%	12.77%

See accompanying notes to the required supplementary information

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2015

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

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

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Per Exhibit D	<u>\$10,292,527</u>	<u>\$ 9,075,035</u>
Difference in property taxes meeting susceptible to accrual criteria	(76,412)	(38,366)
Encumbrances - December 31, 2014		228,895
Encumbrances - December 31, 2015		(361,873)
Non-budgetary revenues and expenditures	(46,844)	(503)
Non-budgetary transfers in	211,589	709,500
Budgetary transfers in and out	<u>(180,755)</u>	<u>(180,755)</u>
Capital lease activity		
Per Schedule 1	<u><u>\$10,199,602</u></u>	<u><u>\$ 9,432,436</u></u>

NOTE 2—BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at December 31, 2015 are as follows:

<i>Committed for:</i>	
Continuing appropriations	\$ 477,671
<i>Unassigned:</i>	
Unassigned - General operations	<u>6,155,757</u>
	<u><u>\$ 6,633,428</u></u>

NOTE 3—SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS

In accordance with GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, the Town is required to disclose the schedule of funding progress for each of the three most recent actuarial valuations. The Town implemented the provisions of GASB Statement #45 during the year ended December 31, 2010. Accordingly, the funding progress has been presented for the three most recent actuarial valuation reports. The actuarial value of assets has not been determined as the Town has not advance funded its obligation as of December 31, 2015.

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
For the Year Ended December 31, 2015

NOTE 4—SCHEDULE OF CHANGES IN THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF TOWN CONTRIBUTIONS

In accordance with GASB Statement #68, *Accounting and Financial Reporting for Pensions*, the Town is required to disclose historical information for each of the prior ten years within a schedule of changes in the Town's proportionate share of the net pension liability, and schedule of Town contributions. The Town implemented the provisions of GASB Statement #68 during the year ended December 31, 2015. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as the information becomes available.

SCHEDULE A

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE

Combining Balance Sheet

Governmental Funds - All Nonmajor Funds

December 31, 2015

Special Revenue Funds								
	Town							
	Recreation Fund	Property Acquisition Fund	Conservation Fund	Heritage Fund	Police Detail Fund	Total Special Revenue Funds	Permanent Funds	Combining Totals
ASSETS								
Cash and cash equivalents	\$ 121,262	\$ 104,187	\$ 40,647	\$ 720	\$ 3,369	\$ 270,185	\$ 109,170	\$ 379,355
Due from other funds	440		5,150			5,590		5,590
Total Assets	121,702	104,187	45,797	720	3,369	275,775	109,170	384,945
DEFERRED OUTFLOWS OF RESOURCES								
Total Deferred Outflows of Resources	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	\$ 121,702	\$ 104,187	\$ 45,797	\$ 720	\$ 3,369	\$ 275,775	\$ 109,170	\$ 384,945
LIABILITIES								
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES								
Total Deferred Inflows of Resources	-	-	-	-	-	-	-	-
FUND BALANCES								
Nonspendable							92,573	92,573
Restricted				720		720	16,597	17,317
Committed	121,702	104,187	45,797		3,369	275,055		275,055
Total Fund Balances	121,702	104,187	45,797	720	3,369	275,775	109,170	384,945
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 121,702	\$ 104,187	\$ 45,797	\$ 720	\$ 3,369	\$ 275,775	\$ 109,170	\$ 384,945

SCHEDULE B

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds - All Nonmajor Funds

For the Year Ended December 31, 2015

	Special Revenue Funds								
	Town		Police				Total Special	Permanent	Combining
	Recreation	Property	Conservation	Heritage	Detail	Funds			
Revenues:									
Taxes			\$ 5,150				\$ 5,150		\$ 5,150
Charges for services	\$ 80,104				\$ 10,350		90,454		90,454
Interest and investment income	129	\$ 571	5				705	\$ 598	1,303
Miscellaneous								625	625
Total Revenues	<u>80,233</u>	<u>571</u>	<u>5,155</u>	<u>\$ -</u>	<u>\$ 10,350</u>	<u>96,309</u>	<u>1,223</u>	<u>97,532</u>	
Expenditures:									
Current operations:									
Public safety					6,981		6,981		6,981
Culture and recreation	110,759						110,759		110,759
Conservation			5,297				5,297		5,297
Total Expenditures	<u>110,759</u>	<u>-</u>	<u>5,297</u>	<u>-</u>	<u>6,981</u>	<u>123,037</u>	<u>-</u>	<u>-</u>	<u>123,037</u>
Excess revenues over (under) expenditures	<u>(30,526)</u>	<u>571</u>	<u>(142)</u>	<u>-</u>	<u>3,369</u>	<u>(26,728)</u>	<u>1,223</u>	<u>(25,505)</u>	
Other financing uses:									
Transfers out								(503)	(503)
Total other financing uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(503)</u>	<u>(503)</u>	
Net change in fund balances	<u>(30,526)</u>	<u>571</u>	<u>(142)</u>	<u>-</u>	<u>3,369</u>	<u>(26,728)</u>	<u>720</u>	<u>(26,008)</u>	
Fund balances at beginning of year	<u>152,228</u>	<u>103,616</u>	<u>45,939</u>	<u>720</u>	<u>-</u>	<u>302,503</u>	<u>108,450</u>	<u>410,953</u>	
Fund balances at end of year	<u>\$ 121,702</u>	<u>\$ 104,187</u>	<u>\$ 45,797</u>	<u>\$ 720</u>	<u>\$ 3,369</u>	<u>\$ 275,775</u>	<u>\$ 109,170</u>	<u>\$ 384,945</u>	

SCHEDULE C

TOWN OF MOULTONBOROUGH, NEW HAMPSHIRE

Combining Statement of Fiduciary Net Position

Fiduciary Funds - All Agency Funds

December 31, 2015

	School Agency Funds	Performance Bond Agency Funds	Combining Totals
ASSETS			
Cash and cash equivalents	\$ 347,579	\$ 18,540	\$ 366,119
Investments	<u>495,758</u>		<u>495,758</u>
Total Assets	<u><u>\$ 843,337</u></u>	<u><u>\$ 18,540</u></u>	<u><u>\$ 861,877</u></u>
LIABILITIES			
Due to other governments	\$ 843,337		\$ 843,337
Deposits		<u>\$ 18,540</u>	<u>\$ 18,540</u>
Total Liabilities	<u><u>\$ 843,337</u></u>	<u><u>\$ 18,540</u></u>	<u><u>\$ 861,877</u></u>