

CITY OF ROCHESTER, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended June 30, 2015

City of Rochester, New Hampshire

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Additional Offices:

Andover, MA
Greenfield, MA
Manchester, NH
Ellsworth, ME

INDEPENDENT AUDITORS' REPORT

To the City Council and City Manager
City of Rochester, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rochester, New Hampshire, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 assess-

ments, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Rochester, New Hampshire, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 27, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Melanson Heath

January 27, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Rochester, we offer readers this narrative overview and analysis of the financial activities of the City of Rochester for the fiscal year ended June 30, 2015.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

Proprietary funds. Proprietary funds are maintained as follows:

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

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water, sewer, and arena operations. The City's major proprietary funds consist of the water and sewer funds.

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$69,731,998 (i.e., net position), a change of \$3,975,545 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$3,749,852, a change of \$(2,052,573) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$14,738,835, a change of \$2,115,517 in comparison to the prior year.
- Bonds payable at the close of the current fiscal year was \$74,620,083, a change of \$10,643,039 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Current and other assets	\$ 32,441,263	\$ 38,611,089	\$ 6,633,725	\$ 5,835,931	\$ 39,074,988	\$ 44,447,020
Capital assets	118,096,132	108,246,702	85,406,665	81,967,022	203,502,797	190,213,724
Deferred outflows	6,573,506	270,463	173,026	-	6,746,532	270,463
Total assets and deferred outflows of resources	157,110,901	147,128,254	92,213,416	87,802,953	249,324,317	234,931,207
Current liabilities	22,009,497	12,538,732	6,661	4,086,167	22,016,158	16,624,899
Noncurrent liabilities	102,108,700	37,151,087	36,253,025	26,746,068	138,361,725	63,897,155
Deferred inflows	18,567,838	22,799,666	646,598	331,642	19,214,436	23,131,308
Total liabilities and deferred inflows of resources	142,686,035	72,489,485	36,906,284	31,163,877	179,592,319	103,653,362
Net position:						
Net investment in capital assets	66,115,846	63,457,651	43,105,145	46,946,106	109,220,991	110,403,757
Restricted	1,035,145	1,124,492	-	-	1,035,145	1,124,492
Unrestricted	(52,726,125)	10,056,626	12,201,987	9,692,970	(40,524,138)	19,749,596
Total net position	\$ 14,424,866	\$ 74,638,769	\$ 55,307,132	\$ 56,639,076	\$ 69,731,998	\$ 131,277,845

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:						
Program revenues:						
Charges for services	\$ 4,932,990	\$ 4,188,794	\$ 8,236,967	\$ 8,027,541	\$ 13,169,957	\$ 12,216,335
Operating grants and contributions	34,934,854	34,534,764	10,000	10,000	34,944,854	34,544,764
Capital grants and contributions	312,278	744,631	479,187	2,314,601	791,465	3,059,232
General revenues:						
Property taxes	43,021,034	43,601,694	-	-	43,021,034	43,601,694
Licenses and permits	4,681,182	4,303,086	114,185	117,926	4,795,367	4,421,012
Penalties and interest on taxes	1,325,711	1,368,044	10,425	19,045	1,336,136	1,387,089
Grants and contributions not restricted to specific programs	1,976,999	1,850,836	-	-	1,976,999	1,850,836
Investment income	62,669	77,623	5,500	5,500	68,169	83,123
Other	2,277,610	3,090,456	487,868	322,659	2,765,478	3,413,115
Total revenues	<u>93,525,327</u>	<u>93,759,928</u>	<u>9,344,132</u>	<u>10,817,272</u>	<u>102,869,459</u>	<u>104,577,200</u>
Expenses:						
General government	4,698,798	4,859,412	-	-	4,698,798	4,859,412
Public safety	12,538,098	12,636,283	-	-	12,538,098	12,636,283
Highway and streets	5,999,765	6,098,696	-	-	5,999,765	6,098,696
Education	62,167,874	62,643,154	-	-	62,167,874	62,643,154
Health and welfare	357,706	379,774	-	-	357,706	379,774
Culture and recreation	1,961,609	1,818,822	-	-	1,961,609	1,818,822
Community development	357,408	429,756	-	-	357,408	429,756
Community services	687,415	706,519	-	-	687,415	706,519
Conservation	19,990	11,942	-	-	19,990	11,942
Interest on long-term debt	1,679,991	1,796,177	-	-	1,679,991	1,796,177
Water	-	-	3,854,426	3,659,247	3,854,426	3,659,247
Sewer	-	-	4,110,954	3,916,358	4,110,954	3,916,358
Nonmajor enterprise	-	-	459,880	435,095	459,880	435,095
Total expenses	<u>90,468,654</u>	<u>91,380,535</u>	<u>8,425,260</u>	<u>8,010,700</u>	<u>98,893,914</u>	<u>99,391,235</u>
Change in net position before transfers	3,056,673	2,379,393	918,872	2,806,572	3,975,545	5,185,965
Transfers in (out)	<u>123,457</u>	<u>(579,148)</u>	<u>(123,457)</u>	<u>579,148</u>	<u>-</u>	<u>-</u>
Change in net position	3,180,130	1,800,245	795,415	3,385,720	3,975,545	5,185,965
Net position - beginning of year (as restated)	<u>11,244,736</u>	<u>72,838,524</u>	<u>54,511,717</u>	<u>53,253,356</u>	<u>65,756,453</u>	<u>126,091,880</u>
Net position - end of year	<u>\$ 14,424,866</u>	<u>\$ 74,638,769</u>	<u>\$ 55,307,132</u>	<u>\$ 56,639,076</u>	<u>\$ 69,731,998</u>	<u>\$ 131,277,845</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 most recent fiscal year, total net position was \$69,731,998, a change of \$3,975,545 from the prior year.

The largest portion of net position, \$109,220,991, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$1,035,145, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(40,524,138), primarily resulting from the City's unfunded net pension liability (see footnotes 23 and 25).

Governmental activities. Governmental activities for the year resulted in a change in net position of \$3,180,130. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 1,738,923
Capital projects fund activity on accrual basis	4,035,967
Nonmajor fund activity	(1,072,089)
Depreciation, which is not budgeted or funded, over principal maturities, a budgeted expense	(1,821,209)
Other	<u>298,538</u>
Total	<u>\$ 3,180,130</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$795,415. Key elements of this change are as follows:

Water operations	\$ (93,709)
Sewer operations	947,008
Nonmajor enterprise operations	<u>(57,884)</u>
Total	<u>\$ 795,415</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$3,749,852, a change of \$(2,052,573) in comparison to the prior year. Key elements of this change are as follows:

General fund operations	\$ 1,738,923
Capital projects fund activity	(2,719,407)
Nonmajor fund activity	<u>(1,072,089)</u>
Total	<u>\$ (2,052,573)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$14,738,835, while total fund balance was \$14,981,859. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/15</u>	<u>6/30/14</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 14,738,835	\$ 12,623,318	\$ 2,115,517	17.9%
Total fund balance	\$ 14,981,859	\$ 13,242,936	\$ 1,738,923	18.2%

The total fund balance of the general fund changed by \$1,738,923 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 1,789,642
Expenditures less than budget	1,833,382
Use of fund balance as a funding source	(2,138,714)
Other timing issues	<u>254,613</u>
Total	<u>\$ 1,738,923</u>

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$12,201,987.

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

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriation of \$371,399. Major reasons for these amendments include:

- \$221,150 – City resolution to use unassigned fund balance to fund the remaining purchase price and transactional costs for the acquisition of the conservation easement at 195 Ten Rod Road.
- \$64,750 – City resolution to use unassigned fund balance for the purchase of sand and salt for winter highway conditions maintenance.
- \$49,605 – City resolution to use unassigned fund balance to transfer funds to the economic development fund for marketing costs.

F. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year end amounted to \$203,502,797 (net of accumulated depreciation), a change of \$13,289,073 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

Governmental Activities:

New addition to Construction in Progress:

ER School Construction	\$ 7,947,520
Granite Ridge TIF District	\$ 971,282

Conversion of Construction in Progress to Depreciable Asset:

Salmon Falls Rd Reconstruction	\$ 1,522,562
Pavement Rehabilitation	\$ 643,092
Stillwater Circle Bridge Rehab	\$ 518,873
Automatic Sprinkler System	\$ 355,534

Business-type Activities:

New addition to Construction in Progress:

Water Plant Upgrade	\$ 1,315,892
EDA Salmon Falls	\$ 790,027
Clarifier Maintenance Program	\$ 682,758

Conversion of Construction in Progress to Depreciable Asset:

Little Falls Bridge Rd	\$ 1,562,005
Spaulding Turnpike Sewer Line Relocation	\$ 413,438
VAC-CON Truck	\$ 330,700

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

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$74,620,083, all of which was backed by the full faith and credit of the government.

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

REQUESTS FOR INFORMATION

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

City Finance Office
City of Rochester
31 Wakefield Street
Rochester, New Hampshire 03867

CITY OF ROCHESTER, NEW HAMPSHIRE

STATEMENT OF NET POSITION

JUNE 30, 2015

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 23,092,455	\$ -	\$ 23,092,455
Investments	4,147,617	-	4,147,617
Receivables, net of allowance for uncollectibles:			
Property taxes	39,488	-	39,488
User fees	2,122,565	2,001,569	4,124,134
Intergovernmental	-	1,428,375	1,428,375
Other assets	135,031	483,820	618,851
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	2,904,107	-	2,904,107
Intergovernmental	-	2,719,961	2,719,961
Capital Assets:			
Land and construction in progress	27,369,500	11,974,137	39,343,637
Other assets, net of accumulated depreciation	90,726,632	73,432,528	164,159,160
DEFERRED OUTFLOWS OF RESOURCES	<u>6,573,506</u>	<u>173,026</u>	<u>6,746,532</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	157,110,901	92,213,416	249,324,317
LIABILITIES			
Current:			
Accounts payable	2,542,696	1,066,612	3,609,308
Accrued liabilities	5,274,831	905,440	6,180,271
Internal balances	5,610,759	(5,552,049)	58,710
Tax refunds payable	150,726	-	150,726
Other liabilities	29,224	28,914	58,138
Notes payable	2,950,000	-	2,950,000
Current portion of long-term liabilities:			
Bonds payable	5,043,650	3,423,336	8,466,986
Bond premium	56,557	120,603	177,160
Capital lease payable	131,115	-	131,115
Compensated absences	219,939	13,805	233,744
Noncurrent:			
Bonds payable, net of current portion	34,804,693	31,348,404	66,153,097
Bond premium, net of current portion	375,538	405,016	780,554
Capital lease payable, net of current portion	272,865	-	272,865
Compensated absences, net of current portion	1,979,453	124,248	2,103,701
Other liabilities, net of current portion	-	1,963,683	1,963,683
Other post employment benefits liability	4,766,340	514,965	5,281,305
Net pension liability	59,909,811	1,896,709	61,806,520
DEFERRED INFLOWS OF RESOURCES	<u>18,567,838</u>	<u>646,598</u>	<u>19,214,436</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	142,686,035	36,906,284	179,592,319
NET POSITION			
Net investment in capital assets	66,115,846	43,105,145	109,220,991
Restricted for:			
Grants and other statutory restrictions	942,753	-	942,753
Permanent funds:			
Nonexpendable	46,281	-	46,281
Expendable	46,111	-	46,111
Unrestricted	<u>(52,726,125)</u>	<u>12,201,987</u>	<u>(40,524,138)</u>
TOTAL NET POSITION	<u>\$ 14,424,866</u>	<u>\$ 55,307,132</u>	<u>\$ 69,731,998</u>

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

CITY OF ROCHESTER, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 4,698,798	\$ 596,183	\$ 15,000	\$ 8,334	\$ (4,079,281)	\$ -	\$ (4,079,281)
Public safety	12,538,098	366,223	85,293	279,435	(11,807,147)	-	(11,807,147)
Highway and streets	5,999,765	26,048	140,666	24,509	(5,808,542)	-	(5,808,542)
Education	62,167,874	3,094,599	34,355,568	-	(24,717,707)	-	(24,717,707)
Health and welfare	357,706	-	-	-	(357,706)	-	(357,706)
Culture and recreation	1,961,609	138,255	6,000	-	(1,817,354)	-	(1,817,354)
Community development	357,408	-	332,327	-	(25,081)	-	(25,081)
Community services	687,415	711,682	-	-	24,267	-	24,267
Conservation	19,990	-	-	-	(19,990)	-	(19,990)
Interest	1,679,991	-	-	-	(1,679,991)	-	(1,679,991)
Total Governmental Activities	90,468,654	4,932,990	34,934,854	312,278	(50,288,532)	-	(50,288,532)
Business-Type Activities:							
Water operations	3,854,426	3,592,017	-	35,234	-	(227,175)	(227,175)
Sewer operations	4,110,954	4,280,662	-	443,953	-	613,661	613,661
Nonmajor enterprise fund operations	459,880	364,288	10,000	-	-	(85,592)	(85,592)
Total Business-Type Activities	8,425,260	8,236,967	10,000	479,187	-	300,894	300,894
Total	\$ 98,893,914	\$ 13,169,957	\$ 34,944,854	\$ 791,465	(50,288,532)	300,894	(49,987,638)
General Revenues and Transfers:							
Property taxes					43,021,034	-	43,021,034
Licenses and permits					4,681,182	114,185	4,795,367
Penalties, interest, and other taxes					1,325,711	10,425	1,336,136
Grants and contributions not restricted to specific programs					1,976,999	-	1,976,999
Investment income					62,669	5,500	68,169
Miscellaneous					2,277,610	487,868	2,765,478
Transfers, net					123,457	(123,457)	-
Total general revenues and transfers					53,468,662	494,521	53,963,183
Change in Net Position					3,180,130	795,415	3,975,545
Net Position:							
Beginning of year, as restated					11,244,736	54,511,717	65,756,453
End of year					\$ 14,424,866	\$ 55,307,132	\$ 69,731,998

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

CITY OF ROCHESTER, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2015

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 22,941,708	\$ -	\$ 150,747	\$ 23,092,455
Investments	4,060,643	-	86,974	4,147,617
Receivables:				
Property taxes	4,107,072	-	-	4,107,072
User fees	419,385	20,484	1,682,696	2,122,565
Due from other funds	8,955,613	-	748,603	9,704,216
Other assets	47,486	-	87,545	135,031
TOTAL ASSETS	\$ 40,531,907	\$ 20,484	\$ 2,756,565	\$ 43,308,956
LIABILITIES				
Accounts payable	\$ 732,122	\$ 1,330,558	\$ 480,016	\$ 2,542,696
Accrued liabilities	4,255,416	480,116	38,428	4,773,960
Tax refunds payable	150,726	-	-	150,726
Due to other funds	6,733,746	6,555,678	2,025,551	15,314,975
Notes payable	-	2,950,000	-	2,950,000
Other liabilities	29,224	-	-	29,224
TOTAL LIABILITIES	11,901,234	11,316,352	2,543,995	25,761,581
DEFERRED INFLOWS OF RESOURCES	13,648,814	-	148,709	13,797,523
FUND BALANCES				
Nonspendable	47,486	-	46,281	93,767
Restricted	175,538	-	988,863	1,164,401
Assigned	20,000	-	-	20,000
Unassigned	14,738,835	(11,295,868)	(971,283)	2,471,684
TOTAL FUND BALANCES	14,981,859	(11,295,868)	63,861	3,749,852
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 40,531,907	\$ 20,484	\$ 2,756,565	\$ 43,308,956

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

CITY OF ROCHESTER, NEW HAMPSHIRE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2015

Total governmental fund balances	\$ 3,749,852
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	118,096,132
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	2,735,685
• In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(500,871)
• Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(109,655,932)</u>
Net position of governmental activities	\$ <u><u>14,424,866</u></u>

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

CITY OF ROCHESTER, NEW HAMPSHIRE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2015

	<u>General</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 43,308,745	\$ -	\$ 87,747	\$ 43,396,492
Penalties, interest, and other taxes	1,325,711	-	-	1,325,711
Charges for services	3,518,443	-	1,414,547	4,932,990
Intergovernmental	29,585,883	315,299	5,345,950	35,247,132
Licenses and permits	4,681,182	-	-	4,681,182
Investment income	57,957	-	4,712	62,669
Miscellaneous	1,976,999	-	237,218	2,214,217
Contributions	<u>1,713,704</u>	<u>436,535</u>	<u>-</u>	<u>2,150,239</u>
Total Revenues	86,168,624	751,834	7,090,174	94,010,632
Expenditures:				
Current:				
General government	4,419,192	987,937	727,713	6,134,842
Public safety	11,818,199	491,708	96,894	12,406,801
Highway and streets	2,788,511	3,568,072	-	6,356,583
Education	54,589,167	1,060,635	5,513,411	61,163,213
Health and welfare	351,948	-	-	351,948
Culture and recreation	1,756,375	148,817	1,125	1,906,317
Community development	139,123	20,950	192,104	352,177
Community services	-	-	652,782	652,782
Conservation	19,990	-	-	19,990
Debt service	6,370,247	-	-	6,370,247
Capital outlay	<u>-</u>	<u>9,185,255</u>	<u>977,952</u>	<u>10,163,207</u>
Total Expenditures	<u>82,252,752</u>	<u>15,463,374</u>	<u>8,161,981</u>	<u>105,878,107</u>
Excess (deficiency) of revenues over expenditures	3,915,872	(14,711,540)	(1,071,807)	(11,867,475)
Other Financing Sources (Uses):				
Bond proceeds	-	9,691,445	-	9,691,445
Transfers in	394,427	2,341,496	32,240	2,768,163
Transfers out	<u>(2,571,376)</u>	<u>(40,808)</u>	<u>(32,522)</u>	<u>(2,644,706)</u>
Total Other Financing Sources (Uses)	<u>(2,176,949)</u>	<u>11,992,133</u>	<u>(282)</u>	<u>9,814,902</u>
Change in fund balance	1,738,923	(2,719,407)	(1,072,089)	(2,052,573)
Fund Equity, at Beginning of Year	<u>13,242,936</u>	<u>(8,576,461)</u>	<u>1,135,950</u>	<u>5,802,425</u>
Fund Equity, at End of Year	<u>\$ 14,981,859</u>	<u>\$ (11,295,868)</u>	<u>\$ 63,861</u>	<u>\$ 3,749,852</u>

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

CITY OF ROCHESTER, 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 JUNE 30, 2015

Net changes in fund balances - total governmental funds	\$ (2,052,573)
<ul style="list-style-type: none"> 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 and reported as depreciation expense: 	
Capital outlay purchases, net	16,446,819
Depreciation	(6,597,389)
<ul style="list-style-type: none"> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., property taxes, etc.) differ between the two statements. This amount represents the net change in deferred revenue. 	(375,458)
<ul style="list-style-type: none"> The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: 	
Issuance of debt	(9,691,445)
Repayments of debt on bonds payable	4,776,180
Repayments of debt on capital leases	127,693
Current year amortization of bond premium	42,951
Issuance of bond premium	(152,802)
Current year amortization of loss on refunding	(42,051)
<ul style="list-style-type: none"> In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. 	(491)
<ul style="list-style-type: none"> Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. 	698,696
Change in net position of governmental activities	\$ <u>3,180,130</u>

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

CITY OF ROCHESTER, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2015

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Other Sources:				
Taxes	\$ 42,872,311	\$ 42,680,211	\$ 42,680,211	\$ -
Penalties, interest, and other taxes	1,116,463	1,177,601	1,325,711	148,110
Charges for services	3,425,344	3,475,149	3,518,443	43,294
Intergovernmental	31,414,181	31,540,266	31,562,882	22,616
Licenses and permits	3,950,695	3,950,695	4,681,182	730,487
Investment income	70,000	70,000	57,957	(12,043)
Miscellaneous	965,476	966,651	1,713,704	747,053
Transfers in	54,000	54,000	164,125	110,125
Use of fund balance	<u>1,813,418</u>	<u>2,138,714</u>	<u>2,138,714</u>	<u>-</u>
Total Revenues and Other Sources	85,681,888	86,053,287	87,842,929	1,789,642
Expenditures and Other Uses:				
General government	4,695,858	4,540,802	4,419,192	121,610
Public safety	12,211,314	12,309,881	11,818,199	491,682
Highway and streets	2,690,115	2,786,401	2,788,511	(2,110)
Education	54,797,781	55,128,356	54,589,167	539,189
Health and welfare	439,720	444,046	351,948	92,098
Culture and recreation	1,794,006	1,771,313	1,756,375	14,938
Debt service	7,276,798	6,946,222	6,370,247	575,975
Transfers out	<u>1,776,296</u>	<u>2,126,266</u>	<u>2,126,266</u>	<u>-</u>
Total Expenditures and Other Uses	<u>85,681,888</u>	<u>86,053,287</u>	<u>84,219,905</u>	<u>1,833,382</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>3,623,024</u>	\$ <u>3,623,024</u>

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

CITY OF ROCHESTER, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2015

	Business-Type Activities Enterprise Funds			
	Water Fund	Sewer Fund	Nonmajor Enterprise Fund	Total
ASSETS				
Current:				
Due from other funds	\$ 2,125,419	\$ 3,544,405	\$ 144,229	\$ 5,814,053
User fees, net of allowance for uncollectibles	958,684	1,036,036	6,849	2,001,569
Intergovernmental receivables	391,069	1,037,306	-	1,428,375
Other assets	431,108	52,712	-	483,820
Total current assets	3,906,280	5,670,459	151,078	9,727,817
Noncurrent:				
Intergovernmental receivables	-	2,719,961	-	2,719,961
Capital Assets:				
Land and construction in progress	4,755,335	6,779,388	439,414	11,974,137
Other assets, net of accumulated depreciation	29,827,377	42,574,944	1,030,207	73,432,528
Total noncurrent assets	34,582,712	52,074,293	1,469,621	88,126,626
DEFERRED OUTFLOWS OF RESOURCES	89,395	83,631	-	173,026
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	38,578,387	57,828,383	1,620,699	98,027,469
LIABILITIES				
Current:				
Accounts payable	482,053	579,191	5,368	1,066,612
Accrued liabilities	467,564	418,593	19,283	905,440
Due to other funds	69,285	-	192,719	262,004
Other current liabilities	-	28,914	-	28,914
Current portion of long-term liabilities:				
Bonds payable	1,312,305	2,012,928	98,103	3,423,336
Bond premium	9,331	109,344	1,928	120,603
Compensated absences	5,496	7,230	1,079	13,805
Total current liabilities	2,346,034	3,156,200	318,480	5,820,714
Noncurrent:				
Bonds payable, net of current portion	15,390,036	14,947,859	1,010,509	31,348,404
Bond premium, net of current portion	84,426	301,375	19,215	405,016
Compensated absences, net of current portion	49,465	65,074	9,709	124,248
Other liabilities, net of current portion	1,492,131	471,552	-	1,963,683
OPEB liability	236,287	243,631	35,047	514,965
Net pension liability	979,951	916,758	-	1,896,709
Total noncurrent liabilities	18,232,296	16,946,249	1,074,480	36,253,025
DEFERRED INFLOWS OF RESOURCES	174,871	471,727	-	646,598
TOTAL LIABILITIES AND DEFERRED OUTFLOWS OF RESOURCES	20,753,201	20,574,176	1,392,960	42,720,337
NET POSITION				
Net investment in capital assets	11,819,112	31,139,402	146,631	43,105,145
Unrestricted	6,006,074	6,114,805	81,108	12,201,987
TOTAL NET POSITION	\$ 17,825,186	\$ 37,254,207	\$ 227,739	\$ 55,307,132

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

CITY OF ROCHESTER, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities Enterprise Funds			
	Water Fund	Sewer Fund	Nonmajor Enterprise Fund	Total
Operating Revenues:				
Charges for services	\$ 3,592,017	\$ 4,280,662	\$ 364,288	\$ 8,236,967
Other	<u>172,360</u>	<u>412,910</u>	<u>27,208</u>	<u>612,478</u>
Total Operating Revenues	3,764,377	4,693,572	391,496	8,849,445
Operating Expenses:				
Operating expenses	2,122,485	2,364,694	368,036	4,855,215
Depreciation	<u>1,278,950</u>	<u>1,230,057</u>	<u>60,140</u>	<u>2,569,147</u>
Total Operating Expenses	<u>3,401,435</u>	<u>3,594,751</u>	<u>428,176</u>	<u>7,424,362</u>
Operating Income (Loss)	362,942	1,098,821	(36,680)	1,425,083
Nonoperating Revenues (Expenses):				
Intergovernmental revenue	35,234	443,953	10,000	489,187
Investment income	2,500	2,500	500	5,500
Interest expense	<u>(452,991)</u>	<u>(516,203)</u>	<u>(31,704)</u>	<u>(1,000,898)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(415,257)</u>	<u>(69,750)</u>	<u>(21,204)</u>	<u>(506,211)</u>
Income (Loss) Before Transfers	(52,315)	1,029,071	(57,884)	918,872
Transfers:				
Transfers in	-	56	-	56
Transfers out	<u>(41,394)</u>	<u>(82,119)</u>	<u>-</u>	<u>(123,513)</u>
Change in Net Position	(93,709)	947,008	(57,884)	795,415
Net Position at Beginning of Year, as restated	<u>17,918,895</u>	<u>36,307,199</u>	<u>285,623</u>	<u>54,511,717</u>
Net Position at End of Year	<u>\$ 17,825,186</u>	<u>\$ 37,254,207</u>	<u>\$ 227,739</u>	<u>\$ 55,307,132</u>

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

CITY OF ROCHESTER, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2015

	Business-Type Activities Enterprise Funds			
	Water Fund	Sewer Fund	Nonmajor Enterprise Fund	Total
<u>Cash Flows From Operating Activities:</u>				
Receipts from customers and users	\$ 3,656,344	\$ 4,704,486	\$ 384,655	\$ 8,745,485
Payments to vendors and employees	<u>(1,653,172)</u>	<u>(1,925,669)</u>	<u>(368,397)</u>	<u>(3,947,238)</u>
Net Cash Provided By (Used For) Operating Activities	2,003,172	2,778,817	16,258	4,798,247
<u>Cash Flows From Noncapital Financing Activities:</u>				
Transfers in	-	56	-	56
Transfers out	(41,394)	(82,119)	-	(123,513)
Interfund borrowing	<u>(4,460,018)</u>	<u>(921,397)</u>	<u>(126,276)</u>	<u>(5,507,691)</u>
Net Cash (Used For) Noncapital Financing Activities	(4,501,412)	(1,003,460)	(126,276)	(5,631,148)
<u>Cash Flows From Capital and Related Financing Activities:</u>				
Acquisition and construction of capital assets	(2,198,502)	(3,583,196)	(227,091)	(6,008,789)
Principal payments on bonds	(1,032,732)	(1,711,930)	(79,499)	(2,824,161)
Bonds issued in current period	5,096,523	3,456,143	424,864	8,977,530
Bond premium proceeds, net	69,984	(23,624)	12,948	59,308
Interest expense	(452,991)	(516,203)	(31,704)	(1,000,898)
Intergovernmental revenue	<u>1,013,458</u>	<u>600,953</u>	<u>10,000</u>	<u>1,624,411</u>
Net Cash (Used For) Capital and Related Financing Activities	2,495,740	(1,777,857)	109,518	827,401
<u>Cash Flows From Investing Activities:</u>				
Investment income	<u>2,500</u>	<u>2,500</u>	<u>500</u>	<u>5,500</u>
Net Cash Provided by Investing Activities	<u>2,500</u>	<u>2,500</u>	<u>500</u>	<u>5,500</u>
Net Change in Cash and Short-Term Investments	-	-	-	-
Cash and Short-Term Investments, Beginning of Year	-	-	-	-
Cash and Short-Term Investments, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>				
Operating income (loss)	\$ 362,942	\$ 1,098,821	\$ (36,680)	\$ 1,425,083
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:				
Depreciation	1,278,950	1,230,057	60,140	2,569,147
Changes in assets and liabilities:				
User fees	(108,033)	10,914	(6,846)	(103,965)
Other assets	(41,124)	(10,320)	-	(51,444)
Accounts payable	366,968	388,594	(10,415)	745,147
Accrued liabilities	144,025	75,740	4,087	223,852
Compensated absences	5,750	4,442	(914)	9,278
OPEB liability	27,386	35,789	6,886	70,061
Net pension liability	<u>(33,692)</u>	<u>(55,220)</u>	<u>-</u>	<u>(88,912)</u>
Net Cash Provided By (Used For) Operating Activities	<u>\$ 2,003,172</u>	<u>\$ 2,778,817</u>	<u>\$ 16,258</u>	<u>\$ 4,798,247</u>

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

CITY OF ROCHESTER, NEW HAMPSHIRE
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2015

	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ 267,146	\$ 553,518
Investments	1,992,153	-
Due from other funds	<u>-</u>	<u>58,710</u>
Total Assets	2,259,299	612,228
<u>LIABILITIES AND NET POSITION</u>		
Other liabilities	<u>-</u>	<u>612,228</u>
Total Liabilities	<u>-</u>	<u>612,228</u>
<u>NET POSITION</u>		
Total net position held in trust	\$ <u><u>2,259,299</u></u>	\$ <u><u>-</u></u>

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

CITY OF ROCHESTER, NEW HAMPSHIRE
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Private Purpose Trust Funds</u>
Additions:	
Increase in fair value of investments	\$ <u>120,428</u>
Total additions	120,428
Deductions:	
Other	<u>47,443</u>
Total deductions	<u>47,443</u>
Net increase (decrease)	72,985
Net position:	
Beginning of year	<u>2,186,314</u>
End of year	\$ <u><u>2,259,299</u></u>

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

CITY OF ROCHESTER, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the City of Rochester, New Hampshire (the City) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

The City reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *capital projects fund* accounts for all financial transactions used for the acquisition or construction of major capital facilities, infrastructure, vehicles, and equipment for the City.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The government reports the following major proprietary funds:

- The *Water Fund* accounts for services relating to water activities.
- The *Sewer Fund* accounts for services relating to sewer activities.

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

D. Cash and Short-Term Investments

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

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

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

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guar-

anteed by such securities with maturity dates of no more than 90 days from the date of purchase.

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

F. Interfund Receivables and Payables

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

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (for enterprise funds only), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Land improvements	10 – 20
Building and improvements	5 – 100
Infrastructure	10 – 50
Vehicles and equipment	5 – 50

H. Compensated Absences

It is the City’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental

funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

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

J. Fund Equity

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

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

The City’s fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., City Council).
- 4) Assigned funds are used for specific purposes as established by management.
- 5) Unassigned funds are available to be spent in future periods.

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

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

K. Use of Estimates

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

2. **Stewardship, Compliance, and Accountability**

A. Budgetary Information

The City Manager presents an operating and capital budget for the proposed expenditures of the year commencing the following July 1. The budget, as enacted by the City Council, establishes the legal level of control and specifies that certain appropriations are to be funded by particular revenues. The original budget is amended during the year at City Council meetings as required by changing conditions. Departments are limited to the line item as voted. Formal budgetary integration is employed as a management control device during the year for the General Fund. At year end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 86,168,624	\$ 82,252,752
Other financing sources/uses (GAAP basis)	<u>394,427</u>	<u>2,571,376</u>
Subtotal (GAAP Basis)	86,563,051	84,824,128
Adjust tax revenue to accrual basis	(628,534)	-
Recognize use of fund balance as funding source	2,138,714	-
To eliminate conservation activity	(49,819)	(380,100)
To eliminate economic development activity	<u>(180,483)</u>	<u>(224,123)</u>
Budgetary basis	<u>\$ 87,842,929</u>	<u>\$ 84,219,905</u>

D. Deficit Fund Equity

The following funds reflected deficit balances as of June 30, 2015:

Capital Projects Fund - various projects	\$ (11,295,868)
Granite Ridge TIF Fund	<u>(971,283)</u>
	<u>\$ (12,267,151)</u>

The deficits in these funds will be eliminated through future departmental revenues, bonds proceeds, and transfers from other funds.

3. Cash and Short-Term Investments

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

Pursuant to NH Statute, "the treasurer shall insure that prior to acceptance of any moneys for deposit or investment, including repurchase agreements, the federally insured bank shall make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the City." The City does not have a deposit policy for custodial credit risk.

The underlying securities of the City's deposit in repurchase agreements of \$1,996,234 are held by the investment's counterparty, not in the name of the City.

As of June 30, 2015, \$247,508 of the City's bank balance of \$30,572,414 was exposed to custodial credit risk as uninsured or uncollateralized. This amount represents the cash portion of investment accounts in the custody of the Trustees of Trust Funds.

4. **Investments**

A. **Credit Risk**

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

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>					<u>Not Rated</u>
				<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>		
U.S. Treasury notes	\$ 30,926	N/A	\$ -	\$ 30,926	\$ -	\$ -	\$ -	\$ -	-
Certificates of deposits	4,060,643	N/A	4,060,643	-	-	-	-	-	-
Corporate bonds	414,976		-	-	32,696	253,650	113,630		15,000
Corporate equities	1,138,587	N/A	1,138,587	-	-	-	-	-	-
Mutual funds	376,501	N/A	376,501	-	-	-	-	-	-
Federal agency securities	75,779		-	70,445	-	-	-	-	5,334
Municipal obligations	<u>42,358</u>		<u>-</u>	<u>-</u>	<u>42,358</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	\$ <u>6,139,770</u>		\$ <u>5,575,731</u>	\$ <u>101,371</u>	\$ <u>75,054</u>	\$ <u>253,650</u>	\$ <u>113,630</u>	\$ <u>20,334</u>	

B. **Custodial Credit Risk**

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

The City's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the City's brokerage firm, which is also the Counterparty to these securities. The City manages this custodial credit risk with SIPC and excess SIPC.

C. Concentration of Credit Risk

The City does not have an investment in one issuer greater than 5% of total investments.

D. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. Although the City has an investment policy, it does not address foreign currency risk.

5. Taxes Receivable

The City bills property taxes on a semi-annual basis and they are due in July and December. Property tax revenues are recognized in the year for which taxes have been levied to the extent that they become available, i.e., due or receivable, within the current year and collected within the current period or within 60 days of year end.

Property taxes collected before the due date, and in advance of the year for which they are levied, are recorded as a prepaid tax liability, as they are intended to finance the subsequent year's budget.

At the time of tax lien, which the City usually processes in May for the previous levy year, a lien is recorded on the property at the Registry of Deeds. The City Council approves conveyance of lien property to the City. Afterwards, the City Council sets a date for public sale.

The City annually raises through tax levy an amount (overlay for abatements) for property tax abatements and interest refunds. All abatements and interest refunds are charged to overlay.

Taxes receivable at June 30, 2015 consist of the following:

Current Use Tax		\$	40,900
Yield Tax			4,257
Unredeemed Taxes:			
2013	\$	1,322,682	
2012		993,404	
2011		541,471	
2010		286,839	
2009		240,131	
2008 and prior		<u>665,935</u>	
			4,050,462
Elderly Liens			<u>11,453</u>
Total		\$	<u><u>4,107,072</u></u>

Taxes Collected for Others

The City collects property taxes for the State of New Hampshire, the Rochester School District, and the County of Strafford. Payments to the other taxing units are normally made throughout the year. The ultimate responsibility for the collection of taxes rests with the City.

6. Allowance for Doubtful Accounts

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

	<u>Governmental</u>	<u>Business-Type</u>
Property taxes	\$ 1,163,477	\$ -
User fees:		
Water	\$ -	\$ 106,520
Sewer	\$ -	\$ 115,115

7. Intergovernmental Receivables

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

8. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2015 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 8,955,613	\$ 6,733,746
Capital Projects Fund	-	6,555,678
Non Major Funds:		
Special Revenue Funds	748,603	2,025,551
Business Type Activities:		
Enterprise Funds		
Water	2,125,419	69,285
Sewer	3,544,405	-
Nonmajor Enterprise	144,229	192,719
Agency Funds	58,710	-
Total	<u>\$ 15,576,979</u>	<u>\$ 15,576,979</u>

9. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Land improvements	\$ 5,886,650	\$ 7,234	\$ -	\$ 5,893,884
Buildings and improvements	65,665,631	654,783	-	66,320,414
Vehicles and equipment	19,202,262	902,484	(29,487)	20,075,259
Infrastructure	<u>147,978,508</u>	<u>3,635,844</u>	<u>-</u>	<u>151,614,352</u>
Total capital assets, being depreciated	238,733,051	5,200,345	(29,487)	243,903,909
Less accumulated depreciation for:				
Land improvements	(3,483,117)	(208,682)	-	(3,691,799)
Buildings and improvements	(25,098,981)	(1,297,114)	-	(26,396,095)
Vehicles and equipment	(12,336,035)	(1,438,805)	20,641	(13,754,199)
Infrastructure	<u>(105,682,396)</u>	<u>(3,652,788)</u>	<u>-</u>	<u>(109,335,184)</u>
Total accumulated depreciation	<u>(146,600,529)</u>	<u>(6,597,389)</u>	<u>20,641</u>	<u>(153,177,277)</u>
Total capital assets, being depreciated, net	92,132,522	(1,397,044)	(8,846)	90,726,632
Capital assets, not being depreciated:				
Land	8,255,908	169,443	-	8,425,351
Easement	1,422,250	-	-	1,422,250
Construction in progress	<u>6,436,022</u>	<u>16,374,294</u>	<u>(5,288,417)</u>	<u>17,521,899</u>
Total capital assets, not being depreciated	<u>16,114,180</u>	<u>16,543,737</u>	<u>(5,288,417)</u>	<u>27,369,500</u>
Governmental activities capital assets, net	<u>\$ 108,246,702</u>	<u>\$ 15,146,693</u>	<u>\$ (5,297,263)</u>	<u>\$ 118,096,132</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Land improvements	\$ 977,059	\$ -	\$ -	\$ 977,059
Buildings and improvements	52,667,416	233,693	-	52,901,109
Vehicles and equipment	6,538,060	577,255	-	7,115,315
Infrastructure	<u>50,831,805</u>	<u>3,177,696</u>	<u>-</u>	<u>54,009,501</u>
Total capital assets, being depreciated	111,014,340	3,988,644	-	115,002,984
Less accumulated depreciation for:				
Land improvements	(67,069)	(38,938)	-	(106,007)
Buildings and improvements	(19,329,053)	(1,136,962)	-	(20,466,015)
Vehicles and equipment	(4,164,002)	(392,972)	-	(4,556,974)
Infrastructure	<u>(15,441,186)</u>	<u>(1,000,274)</u>	<u>-</u>	<u>(16,441,460)</u>
Total accumulated depreciation	<u>(39,001,310)</u>	<u>(2,569,146)</u>	<u>-</u>	<u>(41,570,456)</u>
Total capital assets, being depreciated, net	72,013,030	1,419,498	-	73,432,528
Capital assets, not being depreciated:				
Land	3,480,989	30,375	-	3,511,364
Construction in progress	<u>6,473,003</u>	<u>5,962,675</u>	<u>(3,972,905)</u>	<u>8,462,773</u>
Total capital assets, not being depreciated	<u>9,953,992</u>	<u>5,993,050</u>	<u>(3,972,905)</u>	<u>11,974,137</u>
Business-type activities capital assets, net	<u>\$ 81,967,022</u>	<u>\$ 7,412,548</u>	<u>\$ (3,972,905)</u>	<u>\$ 85,406,665</u>

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

Governmental Activities:		
General government	\$	281,070
Public safety		545,608
Highway and streets		3,956,946
Education		1,738,818
Culture and recreation		53,398
Community services		<u>21,549</u>
Total depreciation expense - governmental activities	\$	<u>6,597,389</u>
Business-Type Activities:		
Water	\$	1,278,950
Sewer		1,230,056
Arena		<u>60,140</u>
Total depreciation expense - business-type activities	\$	<u>2,569,146</u>

10. **Deferred Outflows of Resources**

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

The following is a summary of deferred outflow of resources balances as of June 30, 2015:

	Entity-wide Basis		Fund Basis	
	Governmental Activities	Business-type Activities	Proprietary Funds Water	Sewer
Loss on refunding	\$ 228,412	\$ -	\$ -	\$ -
Changes in proportion and differences between pension contributions and proportionate share of contributions	1,102,000	-	-	-
Pension contributions subsequent to the measurement date	<u>5,243,094</u>	<u>173,026</u>	<u>89,395</u>	<u>83,631</u>
Total	<u>\$ 6,573,506</u>	<u>\$ 173,026</u>	<u>\$ 89,395</u>	<u>\$ 83,631</u>

11. **Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities represent 2015 expenditures paid after June 30, 2015.

12. Tax Refunds Payable

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

13. Notes Payable

This balance represents an outstanding bond anticipation note issued through Citizens Bank.

The City had the following anticipation notes outstanding at June 30, 2015:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 6/30/15</u>
Bond anticipation	1.10%	11/03/14	10/30/15	\$ <u>2,950,000</u>
Total				\$ <u><u>2,950,000</u></u>

The following summarizes the anticipation note activity during fiscal year 2015:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
	\$ <u>-</u>	\$ <u>21,157,000</u>	\$ <u>(18,207,000)</u>	\$ <u>2,950,000</u>
Total	\$ <u><u>-</u></u>	\$ <u><u>21,157,000</u></u>	\$ <u><u>(18,207,000)</u></u>	\$ <u><u>2,950,000</u></u>

14. Capital Lease Obligations

The City is the lessee of certain equipment under capital leases expiring in various years through 2018. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2015:

<u>Governmental</u>	<u>Capital Leases</u>
2016	\$ 141,942
2017	141,942
2018	<u>141,941</u>
Total minimum lease payments	425,825
Less amounts representing interest	<u>21,845</u>
Present Value of Minimum Lease Payments	\$ <u><u>403,980</u></u>

15. Long-Term Debt

A. General Obligation Bonds

The City issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/15
<u>Governmental Activities:</u>			
1995 Series Bond Issue	08/15/15	5.25-5.625%	\$ 120,000
1996 Series Bond Issue	08/15/16	5.625-5.75%	112,000
1997 Series Bond Issue	08/15/17	4.70-5.30%	195,000
1998 Series A Bond Issue	08/15/18	4.91%	305,040
2002 Series Bond Issue	08/15/22	4.25-4.70%	2,503,000
2005 Series Bond Issue	01/15/26	4.00-4.40%	2,025,000
2005 Series Bond Issue - 20 year	01/15/21	4.00-4.40%	105,000
2005 Series Bond Issue - 15 year	01/15/16	4.00-4.25%	210,000
2005 Series Bond Issue - Honeywell	01/15/16	4.00-4.25%	960,000
2005 QZAB	12/29/20	0.00%	553,164
2007 Bond Issue - Refinancing - 13 year	08/15/20	5.50-5.80%	2,052,263
2008 Series Bond Issue - 20 year	02/15/28	3.00-5.00%	6,223,711
2008 Series Bond Issue - 10 year	02/15/18	5.25-6.50%	93,823
2008 Series Bond Issue - 10 year	02/15/18	3.00-5.00%	782,976
2008 Series A NHMBB - 20 year	08/15/28	4.00-5.25%	485,000
2010 Series Bond Issue - 10 year	01/15/20	2.00-3.25%	995,500
2010 Series Bond Issue - 20 year	01/15/30	2.00-4.00%	2,159,580
2012 Series B Bond Issue - 20 year - TIF	03/15/32	1.00-3.25%	4,087,161
2012 Series A Bond Issue - 20 year	03/15/32	2.00-3.00%	1,853,000
2012 Series A Bond Issue - 10 year	03/15/22	2.00-3.00%	105,000
2013 Series A - Refunding 2004 bonds	07/15/24	2.00-3.00%	3,784,479
2014 State Revolving Loan - Washington St Phase 4	06/01/33	3.39%	337,633
2015 Series A Bond Issue - 20 year	03/01/35	2.00-3.25%	4,025,714
2015 Series A Bond Issue - 5 year	03/01/20	2.00-3.00%	507,526
2015 Series A Bond Issue - 10 year	03/01/25	2.00-3.00%	5,158,205
2012 Series B Bond Issue - 20 year - Repurposed	03/15/32	2.00-3.25%	108,568
Total Governmental Activities:			<u>\$ 39,848,343</u>

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 6/30/15
<u>Business-Type Activities:</u>			
1996 Series Bond Issue	08/15/16	5.625-5.75%	\$ 28,000
1998 Series A Bond Issue	08/15/18	3.90-4.75%	214,960
2002 Series Bond Issue	08/15/22	4.25-4.70%	853,000
2005 Series Bond Issue	01/15/26	4.00-4.40%	125,000
2005 State Revolving Loan - Chestnut Hill	08/01/25	3.49%	483,828
2007 State Revolving Loan - Homemakers	07/01/27	2.14%	246,455
2007 State Revolving Loan - Ground Water Supply	09/01/26	3.35%	300,472
2007 Refinancing Bonds - 13 year	08/15/20	5.50-5.80%	452,736

(continued)

(continued)

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/15</u>
2008 Series Bond Issue - 20 year	02/15/28	3.00-5.00%	3,591,289
2008 Series Bond Issue - 10 year	02/15/18	5.25-6.50%	321,177
2008 Series Bond Issue - 10 year	02/15/18	3.00-5.00%	282,024
2009 State Revolving Loan - East Rochester I&I	12/01/27	3.69%	1,204,052
2009 State Revolving Loan - South Main/Solar Bee Pilot	08/01/28	3.49%	934,584
2010 State Revolving Loan - South Main Street	02/01/29	2.95%	448,092
2010 Series Bond Issue - 10 year	01/15/20	2.00-3.25%	560,078
2010 Series Bond Issue - 20 year	01/15/30	2.00-4.00%	2,484,847
2011 Round Pond Land Purchase	04/06/20	0.00%	187,500
2010 State Revolving Loan - Washington Street	12/01/30	2.86%	1,730,998
2012 Series A Bond Issue - 20 year	03/15/32	2.00-3.00%	842,000
2013 State Revolving Loan - Cocheco Well	09/01/31	3.10%	1,555,558
2013 State Revolving Loan - Headworks	02/01/32	2.72%	1,188,596
2013 State Revolving Loan - Washington St Pump Station	07/01/31	3.10%	549,395
2013 Series B Bond Issue - Refunding 2004 bonds	08/01/20	2.00-4.00%	5,525,000
2013 Series A Bond Issue - Refunding 2004 bonds	07/15/24	2.00-3.00%	1,105,515
2014 State Revolving Loan - Washington & Pine St	12/01/32	2.72%	184,914
2014 State Revolving Loan - Washington St Phase 4	06/01/33	3.39%	428,844
2015 Series A Bond Issue - 20 year	03/01/35	2.00-3.25%	3,373,782
2015 Series A Bond Issue - 5 year	03/01/20	2.00-3.00%	1,223,114
2015 Series A Bond Issue - 20 year	03/01/35	2.00-3.25%	424,864
2015 Series A Bond Issue - 10 year	03/01/25	2.00-3.00%	3,486,795
2012 Series B Bond Issue - 20 year - repurposed	03/15/32	2.00-3.25%	97,710
2012 Series B Bond Issue - 20 year - repurposed	03/15/32	2.00-3.25%	336,561
Total Business-Type Activities:			<u>\$ 34,771,740</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2015 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 5,043,650	\$ 1,277,930	\$ 6,321,580
2017	3,747,990	1,113,313	4,861,303
2018	3,684,522	984,118	4,668,640
2019	3,328,960	869,633	4,198,593
2020	3,262,987	768,869	4,031,856
2021 - 2025	13,080,834	2,502,955	15,583,789
2026 - 2030	5,595,074	834,106	6,429,180
Thereafter	<u>2,104,326</u>	<u>163,469</u>	<u>2,267,795</u>
Total	<u>\$ 39,848,343</u>	<u>\$ 8,514,393</u>	<u>\$ 48,362,736</u>

The general fund has been designated as the sole source to repay the governmental-type general obligation long-term debt outstanding as of June 30, 2015.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 3,423,336	\$ 1,087,543	\$ 4,510,879
2017	3,430,762	986,798	4,417,560
2018	3,401,128	879,676	4,280,804
2019	3,193,711	782,507	3,976,218
2020	3,141,802	682,972	3,824,774
2021 - 2025	10,370,813	2,221,098	12,591,911
2026 - 2030	5,825,390	832,097	6,657,487
Thereafter	1,984,798	147,984	2,132,782
Total	<u>\$ 34,771,740</u>	<u>\$ 7,620,675</u>	<u>\$ 42,392,415</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2015, the following changes occurred in long-term liabilities:

	Total Balance 7/1/14	Additions	Reductions	Total Balance 6/30/15	Less Current Portion	Equals Long-Term Portion 6/30/15
<u>Governmental Activities</u>						
Bonds payable ¹	\$ 35,358,673	\$ 9,691,445	\$ (5,201,775)	\$ 39,848,343	\$ (5,043,650)	\$ 34,804,693
Bond premium	322,244	152,802	(42,951)	432,095	(56,557)	375,538
Capital lease payable	531,673	-	(127,693)	403,980	(131,115)	272,865
Compensated absences	2,023,476	175,916	-	2,199,392	(219,939)	1,979,453
Other post employment benefits	4,055,518	710,822	-	4,766,340	-	4,766,340
Net pension liability	68,572,050	-	(8,662,239)	59,909,811	-	59,909,811
Totals	<u>\$ 110,863,634</u>	<u>\$ 10,730,985</u>	<u>\$ (14,034,658)</u>	<u>\$ 107,559,961</u>	<u>\$ (5,451,261)</u>	<u>\$ 102,108,700</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 28,618,371	\$ 8,977,530	\$ (2,824,161)	\$ 34,771,740	\$ (3,423,336)	\$ 31,348,404
Bond premium	466,311	169,271	(109,963)	525,619	(120,603)	405,016
Compensated absences	128,775	9,278	-	138,053	(13,805)	124,248
SRF loan proceeds ²	-	1,963,683	-	1,963,683	-	1,963,683
Other post employment benefits	444,904	70,061	-	514,965	-	514,965
Net pension liability	2,291,292	-	(394,583)	1,896,709	-	1,896,709
Totals	<u>\$ 31,949,653</u>	<u>\$ 11,189,823</u>	<u>\$ (3,328,707)</u>	<u>\$ 39,810,769</u>	<u>\$ (3,557,744)</u>	<u>\$ 36,253,025</u>

¹ Bonds payable reduction includes the reclassification of Granite State Business Park project bond proceeds to the Water and Sewer Enterprise Funds.

² This balance represents the drawdown proceeds from the State of New Hampshire through the State Revolving Loan Program. The State Revolving Loan program provides low interest loans to assist communities with the design and construction of various types of projects, and the proceeds are disbursed as eligible costs are incurred through drawdowns. Upon completion of the project, the original financial assistant agreement shall be amended to reflect actual project expenditures. A supplemental agreement will then be executed between the State and the City containing the final project cost and the repayment schedule.

16. Deferred Inflows of Resources

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

The following is a summary of deferred inflow of resources balances as of June 30, 2015:

	Entity-wide Basis		Fund Basis			
	Governmental Activities	Business-type Activities	Governmental Funds General Fund	Nonmajor	Proprietary Funds Water	Sewer
Unavailable revenues	\$ 62,082	\$ 308,135	\$ 62,082	\$ -	\$ -	\$ 308,135
Taxes collected in advance	9,687,570	-	9,687,570	-	-	-
Unavailable revenues - property tax	-	-	3,899,162	-	-	-
Unearned grant revenue	148,709	-	-	148,709	-	-
Net difference between projected and actual pension investment earnings	7,665,510	242,686	-	-	125,387	117,299
Changes in proportion and differences between pension contributions and proportionate share of contributions	<u>1,003,967</u>	<u>95,777</u>	<u>-</u>	<u>-</u>	<u>49,484</u>	<u>46,293</u>
	<u>\$ 18,567,838</u>	<u>\$ 646,598</u>	<u>\$ 13,648,814</u>	<u>\$ 148,709</u>	<u>\$ 174,871</u>	<u>\$ 471,727</u>

17. Restricted Net Position

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

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

18. Governmental Funds - Balances

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

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

The following types of fund balances are reported at June 30, 2015:

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

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

Assigned - Represents amounts that are constrained by the City's intent to use these resources for a specific purpose.

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

Following is a breakdown of the City's fund balances at June 30, 2015:

	General Fund	Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Prepaid expenditures	\$ 47,486	\$ -	\$ -	\$ 47,486
Nonexpendable permanent funds	-	-	46,281	46,281
Total Nonexpendable	47,486	-	46,281	93,767
Restricted				
Community development	127,812	-	-	127,812
Conservation	47,726	-	-	47,726
Special revenue funds	-	-	942,753	942,753
Expendable permanent funds	-	-	46,110	46,110
Total Restricted	175,538	-	988,863	1,164,401
Assigned				
Reserved for expenditures	20,000	-	-	20,000
Total Assigned	20,000	-	-	20,000
Unassigned				
General fund	14,738,835	-	-	14,738,835
Capital projects fund - deficit	-	(11,295,868)	-	(11,295,868)
Granite Ridge TIF fund - deficit	-	-	(971,283)	(971,283)
Total Unassigned	14,738,835	(11,295,868)	(971,283)	2,471,684
Total Fund Balance	\$ 14,981,859	\$ (11,295,868)	\$ 63,861	\$ 3,749,852

19. General Fund Unassigned Fund Balance

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

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

GAAP basis	\$ 14,738,835
Reserve for prepaid expenditures	(2,673)
Tax deeded property	152,790
Other GAAP adjustments	<u>23</u>
Tax Rate Setting balance	<u>\$ 14,888,975</u>

20. Subsequent Events

Debt

Subsequent to June 30, 2015, the City has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
General Obligation Bonds, Series C	\$ 11,415,000	2.615%	10/15/15	10/15/35
General Obligation Bonds, Series D	\$ 3,695,000	1.837%	10/15/15	10/15/26
General Obligation Refunding Bonds, Series E	\$ 2,085,000	1.775%	10/15/15	01/15/26

The use of the general obligation bonds was to provide long term funding for numerous City, School, Water and Sewer capital projects.

21. Commitments and Contingencies

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

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be

disallowed by the grantor cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

22. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

The City provides its eligible retirees, including in some cases their beneficiaries (as governed by RSA 100-A:50), the ability to purchase health, dental, and prescription insurance at the City's group rates. Although the City does not supplement the cost of these plans, GASB Statement 45 requires the City to recognize the liability for the inclusion of any implicit rate subsidies afforded its retirees. This subsidy is generated as a result of the basic nature of insurance - one risk group subsidizes another to arrive at a blended premium; therefore, current employees who are young and healthy subsidized the older retirees. As of June 30, 2015, there were 54 retiree subscribers, including eligible spouses and dependents, and 592 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

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

C. Funding Policy

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

D. Annual OPEB Costs and Net OPEB Obligation

The City's fiscal 2015 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the City's annual OPEB cost for the year ending June 30, 2015, the amount actually contributed to the plan, and the change in the City's net OPEB obligation based on an actuarial valuation as of July 1, 2014.

Annual Required Contribution (ARC)	\$ 1,170,722
Interest on net OPEB obligation	202,519
Adjustment to ARC	<u>(191,822)</u>
Annual OPEB cost	1,181,419
Contributions made	<u>(400,536)</u>
Increase in net OPEB obligation	780,883
Net OPEB obligation - beginning of year	<u>4,500,422</u>
Net OPEB obligation - end of year	<u>\$ 5,281,305</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2015	\$ 1,181,419	33.9%	\$ 5,281,305
2014	\$ 1,246,813	35.5%	\$ 4,500,422
2013	\$ 1,276,474	31.8%	\$ 3,696,366

E. Funded Status and Funding Progress

The funded status of the plan as of July 1, 2014, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 11,310,380
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 11,310,380</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 44,600,458</u>
UAAL as a percentage of covered payroll	<u>25.4%</u>

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

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the City 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 City and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2014 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined, as the City has not advance funded its obligation. The actuarial assumptions included a 4.5% investment rate of return and an initial annual healthcare cost trend rate of 9.0% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3%.

23. Retirement System

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

A. Plan Description

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

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

B. Benefits Provided

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is $1/60$ or 1.667% of average final 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 nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service

up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

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

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and teachers 11.55% for police and 11.80% for fire. The City and School make annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.77% to 27.74% of covered compensation. The City's and School's contributions to NHRS for the year ended June 30, 2015 were \$1,986,733 and \$3,429,387, respectively, which were equal to its annual required contribution.

D. Summary of Significant Accounting Policies

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

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

At June 30, 2015, the City and School reported a liability of \$21,778,567 and \$40,027,953, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2013. The City's and School's proportion of the net pension liability was based on a projection of the City's and School's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers,

actuarially determined. At June 30, 2013, the City's and School's proportion were .611306 and 1.035230 percent, respectively.

At the most recent measurement date of June 30, 2014, the City's and School's proportion were .580207 and 1.066392 percent, which were a decrease of .031099 and an increase of .031162 from its previous year proportion.

For the year ended June 30, 2015, the City and School recognized pension expense of \$1,237,940 and \$2,953,127, respectively. In addition, the City and School 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>
Net difference between projected and actual earnings on pension plan investments	\$ -	\$ 7,908,196
Changes in proportion and differences between contributions and proportionate share of contributions	1,102,000	1,099,744
Contributions subsequent to the measurement date	<u>5,416,120</u>	<u>-</u>
Total	<u>\$ 6,518,120</u>	<u>\$ 9,007,940</u>

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

Year ended June 30:

2016	\$ 3,439,561
2017	(1,976,559)
2018	(1,976,559)
2019	(1,976,559)
2020	<u>296</u>
Total	<u>\$ (2,489,820)</u>

Actuarial assumptions: The total pension liability in the June 30, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

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

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

Asset Class	Target Allocation Percentage	Weighted Average Average Long- Term Expected Real Rate of Return
Large Cap Equities	22.50 %	3.25%
Small/Mid Cap Equities	<u>7.50</u>	3.25%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.25%
Emerging Int'l Equities	<u>7.00</u>	6.50%
Total international equities	20.00	
Core Bonds	18.00	-0.47%
High-Yield Bonds	1.50	1.50%
Global Bonds (unhedged)	5.00	-1.75%
Emerging Market Debt (external)	<u>0.50</u>	2.00%
Total fixed income	25.00	
Private equity	5.00	5.75%
Private debt	5.00	5.00%
Real estate	10.00	3.25%
Opportunistic	<u>5.00</u>	2.50%
Total alternative investments	<u>25.00</u>	
Total	<u><u>100.00</u></u> %	

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

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

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
June 30, 2014	\$ 81,409,242	\$ 61,806,520	\$ 45,268,687

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

24. Risk Management

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

25. Beginning Net Position Restatement

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

Government-Wide Financial Statements:

	<u>Governmental</u>	<u>Business-Type</u>
As previously reported	\$ 74,638,769	\$ 56,639,076
Implementation of GASB 68	<u>(63,394,033)</u>	<u>(2,127,359)</u>
As restated	<u>\$ 11,244,736</u>	<u>\$ 54,511,717</u>

Fund Basis Financial Statements:

	<u>Proprietary Funds</u>	
	<u>Water Fund</u>	<u>Sewer Fund</u>
As previously reported	\$ 19,018,014	\$ 37,335,439
Implementation of GASB 68	<u>(1,099,119)</u>	<u>(1,028,240)</u>
As restated	<u>\$ 17,918,895</u>	<u>\$ 36,307,199</u>

CITY OF ROCHESTER, NEW HAMPSHIRE
SCHEDULE OF FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2015
(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
07/01/14	\$ -	\$ 11,310,380	\$ 11,310,380	0.0%	\$ 44,600,458	25.4%
07/01/13	\$ -	\$ 11,668,357	\$ 11,668,357	0.0%	\$ 45,737,594	25.5%
07/01/12	\$ -	\$ 11,803,851	\$ 11,803,851	0.0%	\$ 44,405,431	26.6%

See Independent Auditors' Report.

CITY OF ROCHESTER, NEW HAMPSHIRE
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2015
(Unaudited)

<u>New Hampshire Retirement System:</u>	<u>2015</u>
City and School proportion of the net pension liability for the most recent measurement date	1.646599%
City and School proportionate share of the net pension liability for the most recent measurement date	\$ 61,806,520
Covered-employee payroll for the most recent measurement date	\$ 41,524,704
Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	219.96%
Plan fiduciary net position as a percentage of the total pension liability	66.32%

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

See Independent Auditors' Report.

CITY OF ROCHESTER, NEW HAMPSHIRE

**SCHEDULE OF CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION**

**JUNE 30, 2015
(Unaudited)**

<u>New Hampshire Retirement System:</u>	<u>2015</u>
Contractually required contribution for the current fiscal year	\$ 5,416,120
Contributions in relation to the contractually required contribution	<u>(5,416,120)</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
Covered-employee payroll for the current fiscal year	\$ 41,436,575
Contributions as a percentage of covered-employee payroll	13.07%

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

See Independent Auditors' Report.