

**TOWN OF LYNDEBOROUGH,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015**

TOWN OF LYNDEBOROUGH
ANNUAL FINANCIAL REPORT
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DECEMBER 31, 2015

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town'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 Town'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.

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 1-B to the financial statements, management has not recorded the capital assets and related accumulated depreciation in the governmental activities, and accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that capital assets, including infrastructure, be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities is not reasonably determinable.

In addition, as discussed in Note 1-B and Note 14 to the financial statements, management has not recorded the long-term costs of retirement health care costs and obligations for other postemployment benefits in the governmental activities. Accounting principles generally accepted in the United States of America require that those costs be recorded, which would increase the liabilities, decrease the net position, and increase the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses on the governmental activities is not readily determinable.

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

Adverse Opinion

In our opinion, because of the significance of the matters discussed in the “Basis for Adverse Opinion on Governmental Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities financial statements of the Town of Lyndeborough as of December 31, 2015, or the changes in financial position thereof for the year then ended.

Unmodified Opinions

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

Emphasis of Matter

As discussed in Notes 1-N and 2-C to the financial statements, in 2015, the Town changed its method of accounting for pension reporting with the adoption of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Our opinions are not modified with respect to this matter.

Other Matters

Management's Discussion and Analysis – Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

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

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

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

August 24, 2016

*Plodzik & Sanderson
Professional Association*

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,712,904
Investments	1,518,233
Taxes receivable (net)	364,285
Total assets	3,595,422
 DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	55,099
 LIABILITIES	
Accounts payable	2,083
Accrued salaries and benefits	4,297
Intergovernmental payable	1,253,666
Long-term liabilities:	
Due within one year	17,365
Due in more than one year	16,320
Net pension liability	111,248
Total liabilities	1,404,979
 DEFERRED INFLOWS OF RESOURCES	
Amounts related to pensions	66,295
 NET POSITION	
Restricted for perpetual care:	
Nonexpendable - principal balance	62,071
Nonexpendable - income balance	47,702
Unrestricted	2,069,474
Total net position	\$ 2,179,247

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

EXHIBIT B
TOWN OF LYNDEBOROUGH, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2015

	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	
General government	\$ 598,637	\$ 3,929	\$ 9	\$ (594,699)
Public safety	374,037	2,090	-	(371,947)
Highways and streets	611,102	3,400	91,925	(515,777)
Sanitation	59,895	-	-	(59,895)
Health	2,685	-	-	(2,685)
Welfare	3,260	-	-	(3,260)
Culture and recreation	59,801	-	-	(59,801)
Conservation	20,234	-	-	(20,234)
Total governmental activities	<u>\$ 1,729,651</u>	<u>\$ 9,419</u>	<u>\$ 91,934</u>	<u>(1,628,298)</u>

General revenues:

Taxes:	
Property	1,256,204
Other	100,157
Motor vehicle permit fees	321,574
Licenses and other fees	18,897
Grants and contributions not restricted to specific programs	81,370
Miscellaneous	58,835
Total general revenues	<u>1,837,037</u>
Change in net position	208,739
Net position, beginning, as restated (see Note 12)	1,970,508
Net position, ending	<u>\$ 2,179,247</u>

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

EXHIBIT C-1
TOWN OF LYNDEBOROUGH, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2015

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,644,267	\$ 68,637	\$ 1,712,904
Investments	1,417,186	101,047	1,518,233
Taxes receivable	370,285	-	370,285
Total assets	<u>\$ 3,431,738</u>	<u>\$ 169,684</u>	<u>\$ 3,601,422</u>
LIABILITIES			
Accounts payable	\$ 2,083	\$ -	\$ 2,083
Accrued salaries and benefits	4,297	-	4,297
Intergovernmental payable	1,253,666	-	1,253,666
Total liabilities	<u>1,260,046</u>	<u>-</u>	<u>1,260,046</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - Property taxes	82,118	-	82,118
FUND BALANCES			
Nonspendable	-	62,071	62,071
Restricted	21,317	47,702	69,019
Committed	1,526,160	59,911	1,586,071
Assigned	87,317	-	87,317
Unassigned	454,780	-	454,780
Total fund balances	<u>2,089,574</u>	<u>169,684</u>	<u>2,259,258</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,431,738</u>	<u>\$ 169,684</u>	<u>\$ 3,601,422</u>

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

EXHIBIT C-2
TOWN OF LYNDEBOROUGH, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2015

Total fund balances of governmental funds (Exhibit C-1)		\$ 2,259,258
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Certain items are not current financial resources in the governmental funds, but instead are reported in the Statement of Net Position.		
Deferred outflows of resources related to pensions	\$ 55,099	
Deferred inflows of resources related to pensions	<u>(66,295)</u>	(11,196)
Property taxes are recognized on an accrual basis in the Statement of Net Position and on a modified accrual basis in the governmental funds.		
Deferred inflows of resources - property taxes	\$ 82,118	
Allowance for uncollectible property taxes	<u>(6,000)</u>	76,118
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Capital lease	\$ 17,365	
Compensated absences	16,320	
Net pension liability	<u>111,248</u>	(144,933)
Net position of governmental activities (Exhibit A)		<u><u>\$ 2,179,247</u></u>

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

EXHIBIT C-3
TOWN OF LYNDEBOROUGH, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2015

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 1,369,390	\$ 6,000	\$ 1,375,390
Licenses and permits	340,471	-	340,471
Intergovernmental	173,304	-	173,304
Charges for services	7,947	1,472	9,419
Miscellaneous	57,874	961	58,835
Total revenues	<u>1,948,986</u>	<u>8,433</u>	<u>1,957,419</u>
EXPENDITURES			
Current:			
General government	597,821	-	597,821
Public safety	376,768	1,615	378,383
Highways and streets	601,430	-	601,430
Sanitation	59,895	-	59,895
Health	2,685	-	2,685
Welfare	3,260	-	3,260
Culture and recreation	59,013	788	59,801
Conservation	59	20,175	20,234
Capital outlay	41,706	-	41,706
Total expenditures	<u>1,742,637</u>	<u>22,578</u>	<u>1,765,215</u>
Excess (deficiency) of revenues over (under) expenditures	<u>206,349</u>	<u>(14,145)</u>	<u>192,204</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	2,100	2,100
Transfers out	(2,100)	-	(2,100)
Total other financing sources (uses)	<u>(2,100)</u>	<u>2,100</u>	<u>-</u>
Net change in fund balances	204,249	(12,045)	192,204
Fund balances, beginning	1,885,325	181,729	2,067,054
Fund balances, ending	<u>\$ 2,089,574</u>	<u>\$ 169,684</u>	<u>\$ 2,259,258</u>

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

EXHIBIT C-4
TOWN OF LYNDEBOROUGH, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2015

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 192,204
Amounts reported for governmental activities in the Statement of Activities are different because:		
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (2,100)	
Transfers out	<u>2,100</u>	-
Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expenses.		
Increase in contributions subsequent to the measurement date	\$ 816	
Increase in changes in proportion	66,645	
Net difference between projected and actual experience	(2,441)	
Decrease in net difference between projected and actual investment earnings on pensions plan investments	3,584	
Increase in net pension liability	<u>(60,005)</u>	8,599
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred inflows of resources relating to tax revenue		(19,029)
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Repayment of capital leases		32,641
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Increase in compensated absences payable		<u>(5,676)</u>
Change in net position of governmental activities (Exhibit B)		<u><u>\$ 208,739</u></u>

EXHIBIT D
TOWN OF LYNDEBOROUGH, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2015

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
REVENUES				
Taxes	\$ 1,340,652	\$ 1,340,652	\$ 1,350,361	\$ 9,709
Licenses and permits	303,800	303,800	340,471	36,671
Intergovernmental	172,114	172,114	173,304	1,190
Charges for services	2,000	2,000	7,947	5,947
Miscellaneous	33,500	33,500	44,056	10,556
Total revenues	<u>1,852,066</u>	<u>1,852,066</u>	<u>1,916,139</u>	<u>64,073</u>
EXPENDITURES				
Current:				
General government	566,896	548,102	528,415	19,687
Public safety	538,250	450,250	393,165	57,085
Highways and streets	612,820	612,820	638,739	(25,919)
Sanitation	59,895	59,895	59,895	-
Health	2,701	2,701	2,685	16
Welfare	14,000	14,000	3,260	10,740
Culture and recreation	56,502	38,477	38,611	(134)
Conservation	1	1	59	(58)
Debt service:				
Interest	1	1	-	1
Capital outlay	59,800	59,800	39,706	20,094
Total expenditures	<u>1,910,866</u>	<u>1,786,047</u>	<u>1,704,535</u>	<u>81,512</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(58,800)</u>	<u>66,019</u>	<u>211,604</u>	<u>145,585</u>
OTHER FINANCING USES				
Transfers out	<u>(126,000)</u>	<u>(250,819)</u>	<u>(244,671)</u>	<u>6,148</u>
Net change in fund balances	<u>\$ (184,800)</u>	<u>\$ (184,800)</u>	<u>(33,067)</u>	<u>\$ 151,733</u>
Unassigned fund balance, beginning			<u>563,965</u>	
Unassigned fund balance, ending			<u>\$ 530,898</u>	

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

EXHIBIT E
TOWN OF LYNDEBOROUGH, NEW HAMPSHIRE
Fiduciary Funds
Statement of Net Position
December 31, 2015

	<u>Agency</u>
ASSETS	
Cash and cash equivalents	\$ 6,103
Investments	<u>1,124</u>
Total assets	<u>7,227</u>
LIABILITIES	
Due to others	6,006
Intergovernmental payables	<u>1,221</u>
Total liabilities	<u>7,227</u>
NET POSITION	<u><u>\$ -</u></u>

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

TOWN OF LYNDEBOROUGH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

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TOWN OF LYNDEBOROUGH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1-A Reporting Entity

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

1-B Government-wide and Fund Financial Statements

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

The Statement of Net Position presents the financial position of the governmental activities of the Town at year-end. This statement includes all of the Town's assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position, with the exception of the capital assets and related accumulated depreciation, which have been omitted because they have not been inventoried at historical cost. In addition, long term costs of retirement, health care, and obligations for other postemployment benefits have also been omitted because the liability and expense have not been determined.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. As in the Statement of Net Position mentioned above, the Town has not recorded depreciation expense on capital assets nor other postemployment benefit expense in this statement.

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

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

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

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

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, except for State shared revenue, reimbursement-based grants and interest which use one year. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service

TOWN OF LYNDEBOROUGH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

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

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

The Town reports the following major governmental fund:

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

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

Additionally, the Town reports the following fund types:

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

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

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

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

1-D Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and cash equivalents."

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

TOWN OF LYNDEBOROUGH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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1-E Investments

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

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

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

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

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

1-F Receivables

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles). They consist primarily of taxes.

1-G Deferred Outflows/Inflows of Resources

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

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

1-H Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 27 and November 11, and due on July 1 and December 14. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

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

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

For the New Hampshire education tax	\$ 163,090,780
For all other taxes	\$ 165,219,080

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The tax rates and amounts assessed for the year ended December 31, 2015 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$7.80	\$ 1,289,422
School portion:		
State of New Hampshire	\$2.27	369,619
Local	\$13.96	2,305,949
County portion	\$1.26	208,569
Total		\$ 4,173,559

1-I Compensated Absences

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

1-J Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities.

1-K Claims and Judgments

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

1-L Interfund Transfers

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

1-M Net Position/Fund Balance Reporting

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

- a) *Restricted net position* – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- b) *Unrestricted net position* – All other net position that does not meet the definition of “restricted.”

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

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

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

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

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

Unassigned – This classification includes the residual fund balance for the general fund.

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

1-N Defined Benefit Pension Plan

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

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2015, \$184,800 of the beginning general fund unassigned fund balance was applied for this purpose.

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2-B Budgetary Reconciliation to GAAP Basis

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

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

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

Revenues:	
Per Exhibit D (budgetary basis)	\$ 1,916,139
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record revenue of the blended funds	13,818
Change in property tax revenue relating to the 60-day revenue recognition	19,029
Per Exhibit C-3 (GAAP basis)	<u>\$ 1,948,986</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 1,949,206
Adjustment:	
Basis differences:	
Encumbrances, beginning	148,291
Encumbrances, ending	(146,217)
GASB Statement No. 54:	
To record expenditures of the blended funds	36,028
Net effect of eliminated and recognized transfers of the blended funds	(242,571)
Per Exhibit C-3 (GAAP basis)	<u>\$ 1,744,737</u>

2-C Change in Accounting Principle

Effective July 1, 2014, the Town implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. The requirements of this Statement change the way the School District calculates and reports the costs and obligations associated with pensions. As a result of implementing GASB Statement No. 68 the Town has restated the beginning net position in the government-wide Statement of Net Position, effectively decreasing net position as of January 1, 2015 by \$131,043 (see Note 12). The reduction accounts for the associated net position liability, deferred inflows of resources, and deferred outflows of resources related to pensions.

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

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits was \$1,719,007 and the bank balances totaled \$1,731,270. Petty cash totaled \$200.

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Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 1,712,904
Cash per Statement of Net Position-Fiduciary Funds (Exhibit E)	6,103
Total cash and cash equivalents	\$ 1,719,007

NOTE 4 – INVESTMENTS

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

At December 31, 2015, this Town had the following investments and maturities:

	Fair Value
Investments type:	
Equity exchange traded funds	\$ 243,121
Equity mutual funds	8,574
Fixed income exchange traded funds	370,637
Fixed income mutual funds	897,025
Total fair value	\$ 1,519,357

Interest Rate Risk – This is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The Town has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 1,518,233
Investments per Statement of Net Position - Fiduciary Funds (Exhibit E)	1,124
Total investments	\$ 1,519,357

NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2015. The amount has been reduced by an allowance for an estimated uncollectible amount of \$6,000. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2015	\$ 232,736	\$ 232,736
Unredeemed (under tax lien):		
Levy of 2014	77,454	77,454
Levy of 2013	48,788	48,788
Levy of 2012 and prior	1,397	1,397
Yield	3,410	3,410
Land use change	6,500	6,500
Less: allowance for estimated uncollectible taxes	(6,000) *	-
Net taxes receivable	\$ 364,285	\$ 370,285

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

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NOTE 6 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$1,254,887 at December 31, 2015 consist of the following:

General fund:	
Balance due to the Wilton-Lyndeborough Cooperative School District	\$ 1,253,284
Miscellaneous Town Clerk fees due to the State of New Hampshire	382
Total general fund	<u>1,253,666</u>
Agency fund:	
Balance due to the Wilton-Lyndeborough Cooperative School District for trust funds held by the Trustees of Trust Funds	1,221
Total intergovernmental payables due	<u>\$ 1,254,887</u>

NOTE 7 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources are as follows:

	<u>Exhibit A</u>
Changes in proportion of Town's share of net pension liability	\$ 49,770
Contributions subsequent to the measurement date	5,329
Total deferred inflows of resources	<u>\$ 55,099</u>

Deferred inflows of resources are as follows:

	<u>Exhibit A</u>	<u>Exhibit C-1</u>
Property tax receivables not collected within 60 days of year end	\$ -	\$ 82,118
Differences between expected and actual experience related to net pension liability	2,441	-
Differences between projected and actual investment earnings on pension plan investments	2,973	-
Changes in proportional share of net pension liability	60,881	-
Total deferred inflows of resources	<u>\$ 66,295</u>	<u>\$ 82,118</u>

NOTE 8 – CAPITAL LEASE OBLIGATIONS

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

	Standard Interest Rate	Present Value of Remaining Payments as of December 31, 2015
Capital lease obligations:		
MSA SCBA Firehawks	3.85%	<u>\$ 17,365</u>

The annual requirements to amortize the capital lease payable as of December 31, 2015, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
<u>2016</u>	\$ 18,034
Less: interest	669
Present value of remaining payments	<u>\$ 17,365</u>

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NOTE 9 – LONG-TERM LIABILITIES

Changes in the Town’s long-term liabilities consisted of the following for the year ended December 31, 2015:

	Balance			Balance	
	January 1,	Additions	Reductions	December 31,	Due Within
	2015			2015	One Year
Capital lease	\$ 50,006	\$ -	\$ (32,641)	\$ 17,365	\$ 17,365
Compensated absences	10,644	5,849	(173)	16,320	-
Total long-term liabilities	<u>\$ 60,650</u>	<u>\$ 5,849</u>	<u>\$ (32,814)</u>	<u>\$ 33,685</u>	<u>\$ 17,365</u>

NOTE 10 – ENCUMBRANCES

Encumbrances outstanding at December 31, 2015 are as follows:

General fund:	
General government	\$ 7,317
Public safety	20,000
Highways and streets	100,900
Capital outlay	18,000
Total encumbrances	<u>\$ 146,217</u>

NOTE 11 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2015 include the following:

Nonspendable:		
Nonmajor fund:		
Permanent - principal balance		\$ 62,071
Restricted:		
Major fund:		
General:		
Library	\$ 20,848	
Cemetery	469	
	<u>21,317</u>	
Nonmajor fund:		
Permanent - income balance	47,702	
Total restricted fund balance		69,019
Committed:		
Major fund:		
General:		
Expendable trust funds	\$ 1,467,260	
Encumbrance	58,900	
	<u>1,526,160</u>	
Nonmajor funds:		
Conservation commission	41,115	
Police outside detail	17,427	
Heritage commission	1,369	
	<u>59,911</u>	
Total committed fund balance		1,586,071

(Continued)

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Governmental fund balances continued:

Assigned:	
Major fund:	
General:	
Encumbrances	87,317
Unassigned:	
Major fund:	
General	454,780
Total governmental fund balances	\$ 2,259,258

NOTE 12 – PRIOR PERIOD ADJUSTMENTS

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

	Government-wide Statements
To record Town's share of net pension liability for implementation of GASB Statements No. 68 and No. 71	\$ (51,243)
To record the net difference between projected and actual investment earnings on pensions plan investments for implementation of GASB Statements No. 68 and No. 71	(84,313)
To record contributions subsequent to the measurement date for implementation of GASB Statements No. 68 and No. 71	4,513
Net position, as previously reported	2,101,551
Net position, as restated	\$ 1,970,508

NOTE 13 – DEFINED BENEFIT PENSION PLAN

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

Benefits Provided: The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and available to pay retirement benefits to all members. The Town of Lyndeborough participates in the Group II position only, as required by law.

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

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

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Contributions: The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. The contribution rate was 11.55% for police officers. The Town's contribution rates for 2015 for pension and medical subsidy were as follows:

<u>Period</u>	<u>Police</u>
January 1, 2015 thru June 30,2015	25.30%
July 1, 2015 thru December 31, 2015	26.38%

The contribution requirements for the fiscal years 2013, 2014, and 2015 were \$10,299, \$7,477, and \$12,053, respectively, which were paid in full in each year.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions - At December 31, 2015 the Town reported a liability of \$111,248 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2015, the Town's proportion was 0.00280821% which was an increase of 0.00144303% from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Town recognized pension expense of \$108,599. At December 31, 2015 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion	\$ 49,770	\$ 60,881
Net difference between projected and actual experience	-	2,441
Net difference between projected and actual investment earnings on pension plan investments	-	2,973
Contributions subsequent to the measurement date	5,329	-
Total	<u>\$ 55,099</u>	<u>\$ 66,295</u>

The \$5,329 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Fiscal Year Ending December 31,</u>	
2016	\$ (7,691)
2017	(7,691)
2018	(7,691)
2019	2,300
2020	4,247
Totals	<u>\$ (16,526)</u>

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Actuarial Assumptions: The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2014, using the following actuarial assumptions which, accordingly apply to both 2015 and 2014 measurements:

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

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

The actuarial assumptions used in the June 30, 2014 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2005 – June 30, 2010.

Long-term Rates of Return: The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2015 and 2014:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return	
		2015	2014
Large Cap Equities	22.50%	3.00%	3.25%
Small/Mid Cap Equities	7.50%	3.00%	3.25%
Total domestic equity	30.00%		
Int'l Equities (unhedged)	13.00%	4.00%	4.25%
Emerging Int'l Equities	7.00%	6.00%	6.75%
Total international equity	20.00%		
Core Bonds	4.50%	(0.70%)	(0.47%)
Short Duration	2.50%	(1.00%)	0.00%
Global Multi-Sector Fixed Income	11.00%	(0.28%)	0.00%
Unconstrained Fixed Income	7.00%	(0.16%)	0.00%
High-Yield Bonds	0.00%	0.00%	1.50%
Global Bonds (unhedged)	0.00%	0.00%	(1.75%)
Emerging Market Debt (external)	0.00%	0.00%	2.00%
Total fixed income	25.00%		
Private equity	5.00%	5.50%	5.75%
Private debt	5.00%	4.50%	5.00%
Real estate	10.00%	3.50%	3.25%
Opportunistic	5.00%	2.75%	2.50%
Total alternative investments	25.00%		
Total	100.00%		

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

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

Actuarial Valuation Date	1% Decrease 6.75%	Current Single Rate Assumption 7.75%	1% Increase 8.75%
June 30, 2015	\$ 146,444	\$ 111,248	\$ 81,244
June 30, 2014	\$ 67,496	\$ 51,243	\$ 37,532
June 30, 2013	\$ 196,643	\$ 153,385	\$ 117,023

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

NOTE 14 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)

In addition to pension benefits described in preceding note, the Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents. The benefits are provided in accordance with the Town's agreements. The criteria to determine eligibility include: years of service, employee age, and whether the employee has vested in the respective retirement plan. The Town funds the benefits on a pay-as-you-go basis. Eligible employees are required to pay set premiums for a portion of the cost with the Town subsidizing the remaining costs. Expenses for the postretirement health care benefits are recognized as eligible employee claims are paid.

The Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB Statement No. 45, which was effective for the Town on January 1, 2009, requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported on the financial statements. The Town has not implemented GASB Statement No. 45 at December 31, 2015 or contracted with an actuarial firm to assist in evaluating the impact of this new standard on the Town. The amounts that should be recorded as the annual required contribution/OPEB cost and the net OPEB obligation are unknown.

NOTE 15 – RISK MANAGEMENT

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

The Local Government Center Property-Liability Trust, LLC, is a Trust organized to provide certain property and liability insurance coverages to member Towns, cities and other qualified political subdivisions of New Hampshire. As a member of the Local Government Center Property-Liability Trust, LLC, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 to December 31. The program maintains a self-insured retention above which it purchases reinsurance and excess insurance. This policy covers property, auto physical damage, crime, general liability, and public officials' liability subject to a \$1,000 deductible.

Contributions paid in fiscal year ending December 31, 2015, to be recorded as an insurance expenditure totaled \$31,405. There were no unpaid contributions for the year ended December 31, 2015.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation Program is a pooled risk management program under RSAs 5-B and 281-A. Coverage was provided from January 1, 2015 to December 31, 2015 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Lyndeborough billed and paid for the year ended December 31, 2015 was \$17,640 for workers' compensation.

TOWN OF LYNDEBOROUGH, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

NOTE 16 – CONTINGENCIES

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

NOTE 17 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through August 24, 2016, the date the December 31, 2015 financial statements were available to be issued, and noted that at the 2016 annual Town meeting, the issuance of bonds in the amount of \$1,667,355 were approved with their proceeds to be used for road improvements in the Town.

REQUIRED SUPPLEMENTARY INFORMATION

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

Fiscal Year	Valuation Date	Town's Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Town Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
December 31, 2015	July 1, 2015	0.00280821%	\$ 111,248	\$ 44,127	252.11%	65.47%
December 31, 2014	July 1, 2014	0.00136518%	\$ 51,243	\$ 24,548	208.75%	66.32%
December 31, 2013	July 1, 2013	0.00356396%	\$ 153,385	\$ 58,618	261.67%	59.81%

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

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

Fiscal Year	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2015	July 1, 2015	\$ 9,421	\$ 9,421	\$ -	\$ 44,127	21.35%
December 31, 2014	July 1, 2014	\$ 4,429	\$ 4,429	\$ -	\$ 24,548	18.04%
December 31, 2013	July 1, 2013	\$ 8,862	\$ 8,862	\$ -	\$ 58,618	15.12%

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

TOWN OF LYNDEBOROUGH, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2015

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

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the Town's pension plan at December 31, 2015.

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

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

Other Information:

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

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF LYNDEBOROUGH, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2015

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,262,202	\$ 1,256,204	\$ (5,998)
Land use change	4,950	12,500	7,550
Yield	30,000	35,353	5,353
Excavation	500	325	(175)
Interest and penalties on taxes	43,000	45,979	2,979
Total from taxes	<u>1,340,652</u>	<u>\$ 1,350,361</u>	<u>9,709</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	300	240	(60)
Motor vehicle permit fees	290,000	321,574	31,574
Building permits	6,000	8,659	2,659
Other	7,500	9,998	2,498
Total from licenses, permits, and fees	<u>303,800</u>	<u>340,471</u>	<u>36,671</u>
Intergovernmental:			
State:			
Meals and rooms distribution	81,270	81,270	-
Highway block grant	80,835	81,533	698
State and federal forest land reimbursement	9	9	-
Other	-	100	100
Federal:			
FEMA	10,000	10,392	392
Total from intergovernmental	<u>172,114</u>	<u>173,304</u>	<u>1,190</u>
Charges for services:			
Income from departments	2,000	7,947	5,947
Miscellaneous:			
Sale of municipal property	7,000	10,053	3,053
Interest on investments	500	644	144
Rent of property	-	13,884	13,884
Insurance dividends and reimbursements	-	18,274	18,274
Contributions and donations	-	100	100
Other	26,000	1,101	(24,899)
Total from miscellaneous	<u>33,500</u>	<u>44,056</u>	<u>10,556</u>
Total revenues	1,852,066	<u>\$ 1,916,139</u>	<u>\$ 64,073</u>
Unassigned fund balance used to reduce tax rate	184,800		
Total revenues and use of fund balance	<u>\$ 2,036,866</u>		

SCHEDULE 2
TOWN OF LYNDEBOROUGH, NEW HAMPSHIRE
Major General Fund

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2015

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 135,952	\$ 135,609	\$ -	\$ 343
Election and registration	-	58,298	54,410	-	3,888
Financial administration	7,432	39,498	49,953	-	(3,023)
Revaluation of property	-	25,150	28,321	-	(3,171)
Legal	47,165	25,000	71,369	-	796
Personnel administration	-	189,537	170,350	-	19,187
Planning and zoning	-	3,500	4,970	-	(1,470)
General government buildings	4,500	36,360	34,526	3,200	3,134
Cemeteries	2,000	-	-	4,117	(2,117)
Insurance, not otherwise allocated	-	33,532	31,405	-	2,127
Advertising and regional associations	-	1,275	1,282	-	(7)
Total general government	<u>61,097</u>	<u>548,102</u>	<u>582,195</u>	<u>7,317</u>	<u>19,687</u>
Public safety:					
Police	3,603	265,596	204,585	20,000	44,614
Ambulance	-	69,697	65,311	-	4,386
Fire	-	105,081	97,338	-	7,743
Building inspection	-	8,000	8,055	-	(55)
Emergency management	-	1,876	1,479	-	397
Total public safety	<u>3,603</u>	<u>450,250</u>	<u>376,768</u>	<u>20,000</u>	<u>57,085</u>
Highways and streets:					
Public works garage	-	212,649	227,085	-	(14,436)
Highways and streets	63,591	395,931	370,578	100,900	(11,956)
Street lighting	-	4,240	3,767	-	473
Total highways and streets	<u>63,591</u>	<u>612,820</u>	<u>601,430</u>	<u>100,900</u>	<u>(25,919)</u>
Sanitation:					
Solid waste disposal	-	59,895	59,895	-	-
Health:					
Administration	-	51	35	-	16
Health agencies	-	2,650	2,650	-	-
Total health	<u>-</u>	<u>2,701</u>	<u>2,685</u>	<u>-</u>	<u>16</u>
Welfare:					
Direct assistance	-	14,000	3,260	-	10,740
Culture and recreation:					
Parks and recreation	-	7,100	7,100	-	-
Library	-	24,437	23,869	-	568
Patriotic purposes	-	1,250	1,918	-	(668)
Other	-	5,690	5,724	-	(34)
Total culture and recreation	<u>-</u>	<u>38,477</u>	<u>38,611</u>	<u>-</u>	<u>(134)</u>
Conservation	-	1	59	-	(58)
Debt service:					
Interest on tax anticipation notes	-	1	-	-	1
Capital outlay	<u>20,000</u>	<u>59,800</u>	<u>41,706</u>	<u>18,000</u>	<u>20,094</u>
Other financing uses:					
Transfers out	-	250,819	244,671	-	6,148
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 148,291</u>	<u>\$ 2,036,866</u>	<u>\$ 1,951,280</u>	<u>\$ 146,217</u>	<u>\$ 87,660</u>

SCHEDULE 3
TOWN OF LYNDEBOROUGH, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2015

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 563,965
Changes:		
Unassigned fund balance used to reduce 2015 tax rate		(184,800)
2015 Budget summary:		
Revenue surplus (Schedule 1)	\$ 64,073	
Unexpended balance of appropriations (Schedule 2)	<u>87,660</u>	
2015 Budget surplus		<u>151,733</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis) (Exhibit D)		530,898
<i>Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:</i>		
To comply with generally accepted accounting principles by deferring property taxes not collected within 60 days of fiscal year-end		(82,118)
To remove allowance for uncollectible property taxes, not recognized on the modified accrual basis of accounting		<u>6,000</u>
Unassigned fund balance, ending (GAAP basis Exhibit C-1)		<u><u>\$ 454,780</u></u>

SCHEDULE 4
TOWN OF LYNDEBOROUGH, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2015

	Special Revenue Funds				Total
	Conservation Commission	Police Outside Detail	Heritage Commission	Permanent Fund	
ASSETS					
Cash and cash equivalents	\$ 41,115	\$ 17,427	\$ 1,369	\$ 8,726	\$ 68,637
Investments	-	-	-	101,047	101,047
Total assets	<u>\$ 41,115</u>	<u>\$ 17,427</u>	<u>\$ 1,369</u>	<u>\$ 109,773</u>	<u>\$ 169,684</u>
FUND BALANCES					
Nonspendable	-	-	-	62,071	62,071
Restricted	-	-	-	47,702	47,702
Committed	41,115	17,427	1,369	-	59,911
Total fund balances	<u>\$ 41,115</u>	<u>\$ 17,427</u>	<u>\$ 1,369</u>	<u>\$ 109,773</u>	<u>\$ 169,684</u>

SCHEDULE 5
TOWN OF LYNDEBOROUGH, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2015

	Special Revenue Funds				Total
	Conservation Commission	Police Outside Detail	Heritage Commission	Permanent Fund	
Revenues:					
Taxes	\$ 6,000	\$ -	\$ -	\$ -	\$ 6,000
Charges for services	-	1,472	-	-	1,472
Miscellaneous	79	-	1,555	(673)	961
Total revenues	<u>6,079</u>	<u>1,472</u>	<u>1,555</u>	<u>(673)</u>	<u>8,433</u>
Expenditures:					
Current:					
Public safety	-	1,615	-	-	1,615
Culture and recreation	-	-	788	-	788
Conservation	20,175	-	-	-	20,175
Total expenditures	<u>20,175</u>	<u>1,615</u>	<u>788</u>	<u>-</u>	<u>22,578</u>
Excess (deficiency) of revenues over (under) expenditures	(14,096)	(143)	767	(673)	(14,145)
Other financing sources:					
Transfers in	-	-	-	2,100	2,100
Net change in fund balances	(14,096)	(143)	767	1,427	(12,045)
Fund balances, beginning	55,211	17,570	602	108,346	181,729
Fund balances, ending	<u>\$ 41,115</u>	<u>\$ 17,427</u>	<u>\$ 1,369</u>	<u>\$ 109,773</u>	<u>\$ 169,684</u>



PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCY AND MATERIAL WEAKNESS

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

In planning and performing our audit of the financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Town of Lyndeborough as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered Town of Lyndeborough's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Lyndeborough's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Lyndeborough's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following to be a material weakness:

Tax Collector Software

In our review of reports from the Tax Collector's software, it was identified that properties that have been deeded, abated, or owned by the Town, are incorrectly included on reports listings uncollected property tax balances. This creates confusion and additional work to properly track uncollected balances owed to the Town. We recommend that management contact the software company's technical support to aid the Town in removing erroneous amounts from the Town's uncollected balance reports.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency in internal control to be a significant deficiency:

Library Deposits

In review of the library internal controls over cash receipts, we identified that deposits were not being made in a timely manner. We recommend that deposits are made on a weekly basis or when receipts exceed \$1,500, whichever comes first.

This communication is intended solely for the information and use of management, the Board of Selectmen, and others within Town of Lyndeborough, and is not intended to be and should not be used by anyone other than these specified parties.

August 24, 2016

*Plodzik & Sanderson
Professional Association*