

TOWN OF GILFORD, NEW HAMPSHIRE

Financial Statements

December 31, 2016

and

Independent Auditor's Report

TOWN OF GILFORD, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Gilford, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Gilford, New Hampshire (the Town), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 2 to the financial statements, management has not recorded a liability for other post-employment benefits in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other post-employment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter described 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 of the Town of Gilford, New Hampshire, as of December 31, 2016, 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 each major fund and the aggregate remaining fund information of the Town of Gilford, New Hampshire, as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, schedule of changes in the Town’s proportionate share of the net pension liability, and schedule of Town contributions, on pages i-vi and 28-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

A handwritten signature in black ink that reads "Vachon Clark & Company PC". The signature is written in a cursive, flowing style.

Manchester, New Hampshire
July 17, 2017

**TOWN OF GILFORD, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2016**

Presented here is the Management Discussion & Analysis Report for the Town of Gilford, NH, for the year ending December 31, 2016. Responsibility for both the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with the Board of Selectmen. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. We report this data in a manner designed to present fairly the Town's financial position and the results of operations of the various Town funds. All disclosures necessary to enable the reader to gain an accurate understanding of the Town's financial activities have been included.

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

Overview of the Financial Statements

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

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

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Basic Financial Statements

Government-wide Financial Statements

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

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

The Statement of Activities presents information showing how the Town's net position changed during the most recent year. We take all of the current year's revenues and expenses into account regardless of when we receive cash in or pay cash out.

Fund Financial Statements

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

**TOWN OF GILFORD, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2016**

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental activities Statement of Net Position and Statement of Activities.

The Town maintains numerous individual governmental funds. We present information separately in the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the Town's only major fund. We combine data from all other governmental funds into a single, aggregate presentation.

The Town adopts an annual appropriation budget for its governmental funds. We provide a budgetary comparison for the General Fund to demonstrate compliance with this budget.

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

Notes to the Basic 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.

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the General Fund, the Town's only major governmental fund, and includes reconciliation between the statutory fund balance for budgetary purposes and the fund balance as presented in the governmental fund financial statements. Also, as required, this section also includes a schedule of changes in the Town's proportionate share of the net pension liability and a schedule of Town contributions.

Other Supplementary Information

Other supplementary information includes combining financial statements for nonmajor governmental funds and fiduciary funds.

**TOWN OF GILFORD, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2016**

Government-Wide Financial Analysis

Statement of Net position

Net position of the Town of Gilford as of December 31, 2016 and 2015, is as follows:

	<u>2016</u>	<u>2015</u>
Capital assets, net	\$ 26,735,157	\$ 26,635,894
Other assets	<u>17,341,578</u>	<u>15,542,855</u>
Total Assets	<u>44,076,735</u>	<u>42,178,749</u>
 Total Deferred Outflows of Resources	 <u>2,921,246</u>	 <u>505,867</u>
 Long-term liabilities	 13,375,742	 10,106,289
Other liabilities	<u>7,500,510</u>	<u>6,474,304</u>
Total Liabilities	<u>20,876,252</u>	<u>16,580,593</u>
 Total Deferred Inflows of Resources	 <u>240,747</u>	 <u>383,567</u>
 Net Position:		
Net investment in capital assets	24,712,468	24,764,914
Restricted	763,275	698,214
Unrestricted	<u>405,239</u>	<u>257,328</u>
Total Net Position	<u>\$ 25,880,982</u>	<u>\$ 25,720,456</u>

Statement of Activities

Changes in net position for the years ending December 31, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,933,144	\$ 1,637,859
Operating grants and contributions	443,000	453,927
Capital grants and contributions	-	169,424
General revenues:		
Property and other taxes	8,795,872	8,401,908
Licenses and permits	1,945,098	1,870,486
Grants and contributions	369,586	343,515
Interest and investment earnings	84,890	17,922
Miscellaneous	<u>141,853</u>	<u>253,476</u>
Total revenues	<u>13,713,443</u>	<u>13,148,517</u>

**TOWN OF GILFORD, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2016**

Expenses		
General government	2,316,463	2,158,795
Public safety	5,352,500	4,326,828
Highways and streets	3,120,988	2,729,390
Sanitation	1,357,623	1,432,356
Health and welfare	100,458	151,354
Culture and recreation	905,141	750,505
Conservation	41,820	41,696
Economic development	213,055	212,775
Interest and fiscal charges	73,253	68,797
Total expenses	<u>13,481,301</u>	<u>11,872,496</u>
Increase in net position before contributions to permanent fund principal and loss on disposal of capital assets	232,142	1,276,021
Contributions to permanent fund principal	5,150	8,640
Loss on disposal of capital assets	<u>(76,766)</u>	<u>-</u>
Increase in net position	160,526	1,284,661
Net Position, beginning of year	<u>25,720,456</u>	<u>24,435,795</u>
Net Position, end of year	<u>\$ 25,880,982</u>	<u>\$ 25,720,456</u>

Town of Gilford Activities

As shown in the above statement, there was an increase in the Town's total net position of \$160,526. This increase is primarily attributable to full accrual basis revenues in excess of expenses, which includes capital assets additions in excess of current year depreciation.

The General Fund ended the year with an unassigned fund balance of \$4,158,207 or 34% of total general fund expenditures. There was a decrease in unassigned fund balance of (\$73,896) from last year. The decrease was due to the Town designating \$675,000 in fund balance to offset subsequent year appropriations and was less than expected as the Town utilized \$200,000 of unrestricted fund balance to offset the current year tax rate.

The fund balances of the Nonmajor Governmental Funds increased by a total of \$376,231 from the prior year. Increases to fund balance were realized in all Nonmajor Governmental Funds, with the exception of the Drug Forfeiture and Donations Funds, which decreased slightly due to spending down prior years funds received.

General Fund Budgetary Highlights

During the year, the original budget for appropriations decreased slightly due to carryforward appropriations into the subsequent year. Additionally, budgets for both appropriations and revenues increased by offsetting amounts for unanticipated revenues received from a CDBG grant. The Town under expended its total 2016 budget by \$335,444. Savings were realized in all functions with the exception of slight overexpending in highways and streets and interest and fiscal charges. Contributing to

**TOWN OF GILFORD, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2016**

the savings was changes in personnel along with a change in offered health plans. Additionally, savings were realized in reductions to overtime and Call/Seasonal wages. Actual revenues were greater than budgeted by \$316,133. This was primarily a result of revenues from motor vehicle fees in excess of anticipated amounts. The unassigned budgetary fund balance of the General Fund at year end was \$5,089,675, a decrease of (\$222,522) from the prior year balance. As noted previously in the above, the decrease is largely due to the Town designating \$675,000 in unrestricted fund balance to offset subsequent year appropriations.

Capital Assets

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

The total investment in capital assets for governmental activities at year end amounted to \$26,735,157 (net of accumulated depreciation), an increase of \$99,263 primarily due to the purchases of several pieces of large equipment. This investment in capital assets includes land, intangible assets, buildings and improvements, vehicles and equipment, and infrastructure.

Significant capital asset events during the current fiscal year included the lease purchases of an air street sweeper for \$242,230, a new heavy-duty dump truck with plow for \$86,400 and a new front end loader for \$132,895.

Additional information on capital assets can be found in Note 4 of the Basic Financial Statements.

Long-term Liabilities

At the end of the current year, total general obligation debt outstanding was \$1,665,487 and capital leases payable was \$357,202. During the year ended 2016, outstanding general obligation debt decreased by (\$147,436) as a result of scheduled payments made on existing obligations and amortization of a related bond premium. Total outstanding capital leases payable increased by \$299,145 as a result of scheduled principal payments of (\$20,316) and four new existing obligations entered into during the year totaling \$319,461. The Town's other long-term obligations consist of compensated absences payable which had a net increase in liability of \$32,779 for the year ended December 31, 2016.

Under GASB Statement #68 – *Accounting and Financial Reporting for Pensions*, the Town reports a net pension liability, as well as the related deferred outflows and inflows of resources related to pension. The Town's portion of the unfunded liability as of December 31, 2016 is \$10,965,906.

See Notes 5 and 6 of the Basic Financial Statements for additional information on outstanding long-term liabilities.

Economic Factors, Rates and 2016 Budget

The NH Department of Revenue Administration (DRA) sets the Annual Tax Rate for the Town of Gilford. They do so based upon the Annual Budget approved at Town Meeting adjusted for actual revenues and expenditures throughout the year. The Town collects property taxes to fund its own operations and that of School Administrative Unit #73. The property tax also pays the levy placed on the

**TOWN OF GILFORD, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Town by Belknap County and the State of New Hampshire in the Statewide Property Tax for Education. The Town bills for property taxes semi-annually. Tax billing occurs according to the laws of the State of New Hampshire, under the supervision of the DRA. The first billing is an estimate based on the previous year's tax rate applied to the current year's assessments. The second billing utilizes the correct tax rate for the year as established by the New Hampshire DRA applied to the current year's assessment.

Following is a comparison of the 2016 tax rates to the 2015 tax rates:

	<u>2016</u>	<u>2015</u>
Town rate	\$5.34	\$5.15
Local school rate	8.98	9.00
State school rate	2.30	2.45
County rate	<u>1.33</u>	<u>1.38</u>
Total rate	<u>\$17.95</u>	<u>\$17.97</u>
Assessed value (in thousands)	\$1,659,559,422	\$1,631,228,961

The Town of Gilford works to a 6-year Capital Improvement Plan. The plan contains current capital needs projections through the year 2020. The Capital Improvements Plan Committee annually reviews, adjusts and updates this plan. The resulting plan receives final review and approval through the presentation and discussion of proposed projects at public meetings and is presented to the Board of Selectmen and Budget Committee as a budget development tool.

Contacting the Town of Gilford's Board of Selectmen or Staff

This financial report provides our citizens and creditors with a general overview of the Town of Gilford's finances. It demonstrates accountability for the funds the Town receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department or the Board of Selectmen, at 47 Cherry Valley Road, Gilford, NH 03249 and telephone number (603) 527-4700.

EXHIBIT A
TOWN OF GILFORD, NEW HAMPSHIRE
Statement of Net Position
December 31, 2016

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 14,597,066
Investments	1,057,602
Taxes receivable, net	1,292,806
Accounts receivable, net	364,313
Due from other governments	2,122
Special assessments	4,914
Prepaid expenses	22,755
Total Current Assets	<u>17,341,578</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	13,303,257
Depreciable capital assets, net	13,431,900
Total Noncurrent Assets	<u>26,735,157</u>
Total Assets	<u>44,076,735</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	<u>2,921,246</u>
Total Deferred Outflows of Resources	<u>2,921,246</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	267,388
Accrued expenses	328,447
Due to other governments	6,904,675
Current portion of bonds payable	117,425
Current portion of note payable	31,600
Current portion of capital leases payable	134,219
Current portion of compensated absences payable	19,357
Total Current Liabilities	<u>7,803,111</u>
Noncurrent Liabilities:	
Bonds payable	1,500,662
Note payable	15,800
Capital leases payable	222,983
Compensated absences payable	367,790
Net pension liability	10,965,906
Total Noncurrent Liabilities	<u>13,073,141</u>
Total Liabilities	<u>20,876,252</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	<u>240,747</u>
Total Deferred Inflows of Resources	<u>240,747</u>
NET POSITION	
Net investment in capital assets	24,712,468
Restricted	763,275
Unrestricted	405,239
Total Net Position	<u>\$ 25,880,982</u>

See accompanying notes to the basic financial statements

EXHIBIT B
TOWN OF GILFORD, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2016

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
General government	\$ 2,316,463	\$ 80,162	\$ 3,722	\$ (2,232,579)
Public safety	5,352,500	781,519	17,841	(4,553,140)
Highways and streets	3,120,988	4,803	223,197	(2,892,988)
Sanitation	1,357,623	1,022,945		(334,678)
Health and welfare	100,458			(100,458)
Culture and recreation	905,141	43,715		(861,426)
Conservation	41,820			(41,820)
Economic development	213,055		198,240	(14,815)
Interest and fiscal charges	73,253			(73,253)
Total governmental activities	<u>\$ 13,481,301</u>	<u>\$ 1,933,144</u>	<u>\$ 443,000</u>	<u>(11,105,157)</u>
General revenues:				
Property and other taxes				8,795,872
Licenses and permits				1,945,098
Grants and contributions:				
Rooms and meals tax distribution				369,051
State and federal forest land				535
Interest and investment earnings				84,890
Miscellaneous				141,853
Contributions to permanent fund principal				5,150
Loss on disposal of capital assets				(76,766)
Total general revenues, contributions to permanent fund principal, and loss on disposal of capital assets				<u>11,265,683</u>
Change in net position				160,526
Net Position - beginning of year				<u>25,720,456</u>
Net Position - end of year				<u>\$25,880,982</u>

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF GILFORD, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2016

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 14,217,645	\$ 379,421	\$ 14,597,066
Investments	799,297	258,305	1,057,602
Taxes receivable, net	1,291,906	900	1,292,806
Accounts receivable, net	96,385	230,581	326,966
Special assessments		4,914	4,914
Due from other funds	37,347	1,095,301	1,132,648
Prepaid expenses	22,755		22,755
Total Assets	<u>16,465,335</u>	<u>1,969,422</u>	<u>18,434,757</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 16,465,335</u>	<u>\$ 1,969,422</u>	<u>\$ 18,434,757</u>
LIABILITIES			
Accounts payable	\$ 259,935	\$ 7,453	\$ 267,388
Accrued expenses	304,465		304,465
Due to other governments	6,904,675		6,904,675
Due to other funds	1,090,651	4,650	1,095,301
Total Liabilities	<u>8,559,726</u>	<u>12,103</u>	<u>8,571,829</u>
DEFERRED INFLOWS OF RESOURCES			
Uncollected property taxes	931,468		931,468
Uncollected assessment revenue		4,914	4,914
Total Deferred Inflows of Resources	<u>931,468</u>	<u>4,914</u>	<u>936,382</u>
FUND BALANCES			
Nonspendable	22,755	288,953	311,708
Restricted	290,277	184,045	474,322
Committed	1,621,286	1,466,712	3,087,998
Assigned	881,616	12,695	894,311
Unassigned	4,158,207		4,158,207
Total Fund Balances	<u>6,974,141</u>	<u>1,952,405</u>	<u>8,926,546</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 16,465,335</u>	<u>\$ 1,969,422</u>	<u>\$ 18,434,757</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1
TOWN OF GILFORD, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2016

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 8,926,546
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	26,735,157
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis	931,468
Other long-term assets are not available to pay current period expenditures, and therefore, are not reported in the funds	2,122
Special assessments are recognized on an accrual basis in the statement of net position, not the modified accrual basis	4,914
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds:	
Deferred outflows of resources related to net pension liability	2,921,246
Deferred inflows of resources related to net pension liability	(240,747)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
Bonds payable	(1,618,087)
Note payable	(47,400)
Capital leases payable	(357,202)
Accrued interest on long-term obligations	(23,982)
Compensated absences payable	(387,147)
Net pension liability	<u>(10,965,906)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 25,880,982</u>

EXHIBIT D
TOWN OF GILFORD, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2016

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 8,896,896	\$ 47,602	\$ 8,944,498
Licenses and permits	1,945,098		1,945,098
Intergovernmental	796,953	17,841	814,794
Charges for services	526,457	1,352,605	1,879,062
Interest and investment income	28,457	56,433	84,890
Miscellaneous	129,466	73,729	203,195
Total Revenues	<u>12,323,327</u>	<u>1,548,210</u>	<u>13,871,537</u>
Expenditures:			
Current operations:			
General government	2,207,748	2,900	2,210,648
Public safety	4,323,250	400,753	4,724,003
Highways and streets	2,946,241		2,946,241
Sanitation	580,003	670,035	1,250,038
Health and welfare	100,315		100,315
Culture and recreation	759,531	78,754	838,285
Conservation	35,709	6,111	41,820
Economic development	213,055		213,055
Capital outlay	709,852	10,591	720,443
Debt service:			
Principal retirement	140,445		140,445
Interest and fiscal charges	76,452		76,452
	<u>12,092,601</u>	<u>1,169,144</u>	<u>13,261,745</u>
Excess revenues over expenditures	<u>230,726</u>	<u>379,066</u>	<u>609,792</u>
Other financing sources (uses):			
Proceeds from capital lease obligations	319,461		319,461
Transfers in	12,110	9,275	21,385
Transfers out	(9,275)	(12,110)	(21,385)
Total other financing sources (uses)	<u>322,296</u>	<u>(2,835)</u>	<u>319,461</u>
Net change in fund balances	553,022	376,231	929,253
Fund balances at beginning of year	<u>6,421,119</u>	<u>1,576,174</u>	<u>7,997,293</u>
Fund balances at end of year	<u>\$ 6,974,141</u>	<u>\$ 1,952,405</u>	<u>\$ 8,926,546</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1

TOWN OF GILFORD, NEW HAMPSHIRE**Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities**

For the Year Ended December 31, 2016

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ 929,253
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	176,029
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss of the disposed capital assets reduced by the actual proceeds received from the disposal.	(76,766)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(152,944)
Repayment of bond and note payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	140,445
Governmental funds report the effect of bond issuance premiums when debt is first issued, whereas these amounts are amortized in the statement of activities over the life of the related debt.	6,991
Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	20,316
Proceeds from capital lease obligations are reported as other financing sources in the governmental funds, but capital lease obligations increase long-term liabilities in the statement of net position.	(319,461)
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	(3,792)
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.	(32,779)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense reflects the change in net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which pension expense exceeded pension contributions in the current period.	<u>(526,766)</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 160,526</u>

EXHIBIT E
TOWN OF GILFORD, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2016

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 442,400
Total Assets	<u>\$ 442,400</u>
LIABILITIES	
Due to other governments	\$ 316,973
Deposits	88,080
Due to other funds	<u>37,347</u>
Total Liabilities	<u>\$ 442,400</u>

See accompanying notes to the basic financial statements

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The Town of Gilford, New Hampshire (the Town) was incorporated in 1812. The Town operates under the Town Meeting/Board of Selectmen form of government and performs local governmental functions authorized by State law.

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

Basis of Presentation

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

1. Government-Wide Financial Statements:

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

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

2. Fund Financial Statements:

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

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Fund Accounting

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

1. Governmental Funds:

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

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

2. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is comprised solely of agency funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Town's agency funds consist of capital reserve funds of the Gilford School District and the Gunstock Acres Village Water District, which are held by the Town as required by State law. Other agency funds consist of developer's performance deposits.

Measurement Focus

1. Government-Wide Financial Statements:

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

2. Fund Financial Statements:

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

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

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

Basis of Accounting

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

1. Revenues – Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 10). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

2. Unearned Revenue:

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

3. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

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

Budgetary Data

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

State law requires balanced budgets, but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2016, the Town applied \$200,000 of its unappropriated fund balance to reduce the tax rate.

Investments

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

Taxes Receivable

Taxes levied during the current year and prior and uncollected at December 31, 2016 are recorded as receivables net of reserves for estimated uncollectibles of \$15,000.

Accounts Receivable

Charges for services billed during the current fiscal year and prior and uncollected at December 31, 2016 are recorded as receivables net of reserves for estimated uncollectibles of \$284,961 and \$63,323 in the General Fund and the Nonmajor Governmental Funds, respectively.

Special Assessments

Assessment fees charged for sewer hook-ups during the current and prior years that will be collected in future periods are recorded as special assessments receivable and deferred inflows of resources in the governmental fund financial statements. The revenue is recognized when earned in the government-wide financial statements.

Capital Assets

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

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the date received. The Town maintains a capitalization threshold of \$5,000. The Town's infrastructure

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

consists of sewer collection and treatment systems and similar items. The Town is not required to retroactively report its general infrastructure. Infrastructure records have been maintained effective January 1, 2004 and are included in these financial statements. Intangible assets of the Town consist solely of land easements. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Description</u>	<u>Years</u>
	Intangible assets	100
	Buildings and improvements	10-150
	Vehicles and equipment	5-50
	Infrastructure	50

Bond Premium

Bond premiums are amortized as a component of interest expense over the life of the related bond using the effective interest rate method. Bonds payable are reported in the accompanying financial statements gross of any applicable unamortized bond premiums.

Compensated Absences

Employees earn vacation and sick leave as they provide services. Dependent upon the department and years of service, employees earn vacation and sick pay at a rate of ten to twenty-five days per year. Pursuant to Town personnel policy and certain collective bargaining agreements, upon voluntary separation of employment from the Town, employees shall be compensated for unused sick and vacation leave (subject to certain limitations) at current rates of pay or at a rate agreed to in the collective bargaining agreements.

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

Accrued Liabilities and Long-Term Obligations

Except for the obligation for other post-employment benefits (see Note 2), all payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current fiscal year. General obligation bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Pensions

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

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

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

Fund Balance Policy

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

- *Nonspendable Fund Balance*: Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance*: Amounts constrained to specific purposes stipulated by external resource providers or through enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or through enabling legislation.
- *Committed Fund Balance*: Includes amounts that can be used only for the specific purposes imposed by a formal action of the Town's highest level of decision making authority (the Annual Town Meeting). Commitments may be changed or lifted only by taking the same formal action that imposed the constraint originally.
- *Assigned Fund Balance*: Amounts the Town intends to use for specific purposes. Intent can be expressed by the Board of Selectmen or by an official to which the Board of Selectmen delegates the authority. For all governmental funds other than the General Fund, any remaining positive fund balance is to be classified as "Assigned".
- *Unassigned Fund Balance*: Amounts that are not obligated or specifically designated for a specified use and are available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit balance of another governmental fund is also classified as "Unassigned".

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Spending Prioritizations

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

Minimum Level of Unassigned Fund Balance

The Town's fund balance policy mandates the Town maintain a level of fund balance between 5% and 17% of the sum of the Town's annual budget plus the school and county appropriations, in accordance with the recommendations of the NH Department of Revenue Administration and the general accepted accounting practices recommended by the Government Finance Officers Association. To avoid the need to issue Tax Anticipation Notes, the Town shall retain a sufficient amount of unassigned fund balance in order to provide an appropriate level of cash reserves for Town operations and its obligations to the school district and county. This amount shall also include funds necessary to manage unanticipated emergencies as defined by RSA-32:11. A nominal amount of the unassigned fund balance shall be used to stabilize the municipal portion of the tax rate. This amount shall reflect a minimal sum anticipated annually, resulting from unexpended appropriations and unanticipated revenues. This nominal amount, in excess of the cash reserves noted in the previous paragraph, is established at \$200,000.

Interfund Activity

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

Estimates

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

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Other Post-Employment Benefits

The Town has not implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The provisions of GASB Statement 45 were required to be implemented by the Town during the year ended December 31, 2009.

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

NOTE 3—DEPOSITS AND INVESTMENTS

Deposits and investments as of December 31, 2016 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 14,597,066
Investments	1,057,602
Statement of Fiduciary Net Position:	
Cash and cash equivalents	442,400
	<u>\$ 16,097,068</u>

Deposits and investments at December 31, 2016 consist of the following:

Cash on hand	\$ 44,416
Deposits with financial institutions	1,236,481
Investments	14,816,171
	<u>\$ 16,097,068</u>

The Town's investment policy for governmental funds requires that deposits be made in federally insured banks chartered under the laws of the State of New Hampshire or the federal government with a branch within the State of New Hampshire. The Town limits its investments for governmental funds to the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool in accordance with New Hampshire State law and federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the State to the following investment types: money market accounts, certificates of deposit, repurchase agreements collateralized by U.S. Government Securities, all other types of interest bearing accounts, or U.S. Government notes and obligations fully guaranteed as to principal and interest by the United States government.

Responsibility for the investments of the Trust Funds is with the Board of Trustees. Investments of the library funds are at the discretion of the Library Trustees.

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. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town's investment policy for managing credit risk is to minimize credit risk by limiting its investments to the safest types of securities and diversifying the portfolio. The following are the actual ratings as of December 31, 2016, for each investment type:

<u>Investment Type</u>	<u>Rating as of Year End</u>		<u>Fair Value</u>
	<u>Aaa</u>	<u>Not Rated</u>	
State investment pool	\$ 71,812		\$ 71,812
Equity mutual funds		\$ 257,280	257,280
Bond mutual funds		235,113	235,113
Money market mutual funds		2,052,917	2,052,917
	<u>\$ 71,812</u>	<u>\$ 2,545,310</u>	<u>\$ 2,617,122</u>

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. For assurance against custodial credit risk, the Town's investment policy requires that all investment and depository instruments be collateralized with pledged securities that shall be perfected through third party custodial safekeeping and be equal to or in excess of the amount of the investment and depository instruments.

Of the Town's deposits with financial institutions at year end, \$175,427 was collateralized by securities held by the bank in the bank's name.

As of December 31, 2016, Town investments in the following investment types were held by the same counterparty that was used to buy the securities:

<u>Investment Type</u>	<u>Amount</u>
Equity mutual funds	\$ 257,280
Bond mutual funds	235,113
Money market mutual funds	2,052,917
Repurchase agreement (fully collateralized)	12,199,049
	<u>\$ 14,744,359</u>

Investment in NHPDIP

The Town is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by state law and is administered by a public body of state, local and banking officials. Financial statements for the NHPDIP can be accessed through the NHPDIP's website at www.NHPDIP.com.

The Town's exposure to derivatives is indirect through its participation in the NHPDIP. The Town's proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the value of the pool shares.

Fair Value Measurement of Investments

In accordance with GASB Statement 72, *Fair Value Measurement and Application*, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by accounting principles generally accepted in the United States. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows (in order of priority):

- Level 1 Inputs - Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date.
- Level 2 Inputs - Inputs other than quoted prices that are observable for assets or liabilities either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs - Significant unobservable inputs.

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

As of December 31, 2016, the Town's investments measured at fair value, by type, were as follows:

<u>Investment Type</u>	<u>Fair Value Measurements Using:</u>			<u>Total</u>
	<u>Level 1</u> <u>Inputs</u>	<u>Level 2</u> <u>Inputs</u>	<u>Level 3</u> <u>Inputs</u>	
Equity mutual funds	\$ 257,280			\$ 257,280
Bond mutual funds	235,113			235,113
	<u>\$ 492,393</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 492,393</u>

Equity and bond mutual funds classified as Level 1 are valued using unadjusted quoted prices in active markets for those securities.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

NOTE 4—CAPITAL ASSETS

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

	<u>Balance</u> <u>01/01/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2016</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 13,303,257			\$ 13,303,257
Total capital assets not being depreciated	<u>13,303,257</u>	<u>\$ -</u>	<u>\$ -</u>	<u>13,303,257</u>
Other capital assets:				
Intangible assets	1,463,238			1,463,238
Buildings and improvements	8,226,773			8,226,773
Vehicles and equipment	4,820,859	619,811	(369,029)	5,071,641
Infrastructure	2,765,856			2,765,856
Total other capital assets at historical cost	<u>17,276,726</u>	<u>619,811</u>	<u>(369,029)</u>	<u>17,527,508</u>
Less accumulated depreciation for:				
Intangible assets	(107,731)	(14,632)		(122,363)
Buildings and improvements	(1,258,248)	(82,700)		(1,340,948)
Vehicles and equipment	(1,914,306)	(291,133)	292,263	(1,913,176)
Infrastructure	(663,804)	(55,317)		(719,121)
Total accumulated depreciation	<u>(3,944,089)</u>	<u>(443,782)</u>	<u>292,263</u>	<u>(4,095,608)</u>
Total other capital assets, net	<u>13,332,637</u>	<u>176,029</u>	<u>(76,766)</u>	<u>13,431,900</u>
Total capital assets, net	<u>\$ 26,635,894</u>	<u>\$ 176,029</u>	<u>\$ (76,766)</u>	<u>\$ 26,735,157</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 50,277
Public safety	181,041
Highways and streets	115,281
Sanitation	56,399
Culture and recreation	40,784
Total governmental activities depreciation expense	<u>\$ 443,782</u>

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

The balance of assets acquired through capital lease issuances as of December 31, 2016 is as follows:

Vehicles and equipment	\$ 515,921
Less: Accumulated depreciation	<u>(38,918)</u>
	<u>\$ 477,003</u>

NOTE 5—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town's long-term obligations for the year ended December 31, 2016 are as follows:

	Balance 01/01/2016	Additions	Reductions	Balance 12/31/2016	Due Within One Year
Governmental activities:					
Bonds payable	\$ 1,658,739		\$ (108,845)	\$ 1,549,894	\$ 117,425
Unamortized bond premium	<u>75,184</u>		<u>(6,991)</u>	<u>68,193</u>	
Total Bonds payable	1,733,923	\$ -	(115,836)	1,618,087	117,425
Note payable	79,000		(31,600)	47,400	31,600
Capital leases payable	58,057	319,461	(20,316)	357,202	134,219
Compensated absences payable	<u>354,368</u>	<u>41,527</u>	<u>(8,748)</u>	<u>387,147</u>	<u>19,357</u>
	<u>\$ 2,225,348</u>	<u>\$ 360,988</u>	<u>\$ (176,500)</u>	<u>\$ 2,409,836</u>	<u>\$ 302,601</u>

Payments on the bonds payable, note payable and capital leases payable are paid out of the General Fund. Amortization of the bond premium is recognized as a component of interest expense on the Statement of Activities (Exhibit B). Compensated absences will be paid from the fund where the employee's salary is paid.

General Obligation Bonds

Bonds payable at December 31, 2016 are comprised of the following individual issues:

Description	Original Issue	Interest Rate	Maturity Date	Balance at 12/31/2016
1998 Cherry Valley Extension Bonds	\$ 135,767	4.22%	December 2017	\$ 6,789
2008 Bean Property Bonds	980,000	5.03%	December 2022	483,105
2014 Police Station Bonds	<u>1,130,000</u>	3.10-5.10%	August 2034	<u>1,060,000</u>
	<u>\$ 2,245,767</u>			
			Sub-total Bonds payable	1,549,894
			Add: Unamortized bond premium	<u>68,193</u>
			Total Bonds payable	<u>\$ 1,618,087</u>

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Debt service requirements to retire general obligation bonds outstanding at December 31, 2016 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 117,425	\$ 69,395	\$ 186,820
2018	114,324	63,381	177,705
2019	123,204	57,461	180,665
2020	127,252	51,119	178,371
2021	136,581	44,494	181,075
2022-2026	366,108	151,054	517,162
2027-2031	330,000	89,790	419,790
2032-2034	235,000	19,475	254,475
Sub-total Bonds payable	1,549,894	546,169	2,096,063
Add: <i>Unamortized Bond Premium</i>	68,193	-	68,193
Total Bonds payable	<u>\$ 1,618,087</u>	<u>\$ 546,169</u>	<u>\$ 2,164,256</u>

General Obligation Note

Note payable at December 31, 2016 is comprised of the following individual issue:

<u>Description</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 12/31/2016</u>
2013 Communications Equipment Note	<u>\$ 158,000</u>	2.09%	July 2018	<u>\$ 47,400</u>

Debt service requirements to retire the general obligation note outstanding at December 31, 2016 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 31,600	\$ 741	\$ 32,341
2018	15,800	123	15,923
	<u>\$ 47,400</u>	<u>\$ 864</u>	<u>\$ 48,264</u>

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable functions.

The following are the individual capital lease obligations outstanding at December 31, 2016:

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Public Works vehicle, due in annual installments of \$10,591, including interest at 5.95%, through August 2018	\$ 19,431
Fire Department vehicle, due in annual installments of \$7,472, including interest at 5.95%, through July 2019	19,992
Public Works vehicle, due in annual installments of \$62,774, including interest at 2.45%, through June 2019	179,456
Public Works vehicles, due in annual installments of \$45,292 including interest at 2.26%, through May 2018	87,603
Public Safety vehicles, due in annual installments of \$14,041 including interest at 3.49%, through May 2019	39,346
Office equipment, due in annual installments of \$4,857, including interest at 7.50%, through July 2019	<u>11,374</u>
	<u>\$ 357,202</u>

Debt service requirements to retire capital lease obligations outstanding at December 31, 2016 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 134,219	\$ 10,807	\$ 145,026
2018	138,327	6,700	145,027
2019	84,656	2,464	87,120
	<u>\$ 357,202</u>	<u>\$ 19,971</u>	<u>\$ 377,173</u>

NOTE 6—DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

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

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

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

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 vested by January 1, 2012, 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 not attained status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by 1/4 of 1%. For Group II members who commenced service prior to July 1, 2011, who have not attained vested status prior to January 1, 2012, benefits are calculated depending on age and years of creditable service as follows:

Years of Creditable Service as of January 1, 2012	Minimum Age	Minimum Service	Benefit Multiplier
At least 3 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

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

Funding Policy

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

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's pension contributions to the NHRS for the year ending December 31, 2016 were \$750,180.

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

At December 31, 2016, the Town reported a liability of \$10,965,906 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2015. The Town's proportion of the net pension liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2016, the Town's proportion was approximately 0.2062 percent, which was an increase of 0.0073 percentage points from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Town recognized pension expense of \$1,295,465. At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 30,474	\$ 138,472
Change in assumptions	1,349,554	
Net difference between projected and actual earnings on pension plan investments	686,083	
Changes in proportion and differences between Town contributions and share of contributions	464,960	102,275
Town contributions subsequent to the measurement date	390,175	
Totals	<u>\$ 2,921,246</u>	<u>\$ 240,747</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$2,680,499. The Town reported \$390,175 as deferred outflows of resources related to pension resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized as pension expense in the measurement periods as follows:

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Year Ending June 30,	
2017	\$ 464,167
2018	464,167
2019	727,162
2020	604,958
2021	29,870
	<u>\$ 2,290,324</u>

Actuarial Assumptions

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

Inflation	2.5 percent
Wage inflation	3.25 percent
Salary increases	5.6 percent, average, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study. Retirement rates were based on a table of rates that are specific to the type of eligibility condition, last updated in 2015 pursuant to an experience study of the period July 1, 2010 – June 30, 2015.

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

Asset Class	Target Allocation	Weighted Average Long-Term Expected Real Rate of Return (Net of inflation assumption of 2.5%)
Fixed income	25%	(0.25)-1.71%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.75-6.25%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.75%
Opportunistic	5%	3.68%
Total	<u>100%</u>	

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Discount Rate

The discount rate used to measure the collective pension liability was 7.25%, which is a decrease of 0.50% from the discount rate used for the prior measurement period of June 30, 2015. 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 contributions are projected based on the expected payroll of current members only. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current 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 collective pension liability.

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease (6.25%)	Current Discount rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability	\$ 14,090,442	\$ 10,965,906	\$ 8,374,598

NOTE 7—INTERFUND BALANCES AND TRANSFERS

The Town has combined the cash resources of its governmental funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance.

Interfund balances at December 31, 2016 are as follows:

	Due from			Totals
	General Fund	Nonmajor Governmental Funds	Fiduciary Funds	
Due to General Fund			\$ 37,347	\$ 37,347
Nonmajor Governmental Funds	\$ 1,090,651	\$ 4,650		1,095,301
	<u>\$ 1,090,651</u>	<u>\$ 4,650</u>	<u>\$ 37,347</u>	<u>\$ 1,132,648</u>

During the year, several interfund transactions occurred between funds. The various transfers were made in accordance with budgetary authorization.

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Interfund transfers for the year ended December 31, 2016 are as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 12,110	\$ 9,275
Nonmajor Governmental Funds:		
Old Home Day Fund	9,275	
Sewer Fund		10,000
Capital Cost Recovery Fund		2,110
	<u>\$ 21,385</u>	<u>\$ 21,385</u>

NOTE 8—RESTRICTED NET POSITION

Net position of governmental activities is restricted for specific purposes at December 31, 2016 as follows:

Permanent Funds - Principal	\$ 288,953
Permanent Funds - Income	38,280
Conservation Trusts	290,277
Conservation funds	36,713
Library funds	69,427
Drug Forfeiture funds	24,866
Donation funds	14,759
	<u>\$ 763,275</u>

NOTE 9—COMPONENTS OF FUND BALANCE

The components of the Town's fund balance for its governmental funds at December 31, 2016 are as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepaid expenses	\$ 22,755		\$ 22,755
Permanent funds - Principal		\$ 288,953	288,953
Restricted for:			
Conservation trusts	290,277		290,277
Permanent funds - Income		38,280	38,280
Library operations		69,427	69,427
Conservation		36,713	36,713
Drug forfeiture		24,866	24,866
Donations		14,759	14,759

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Committed for:

Carryforward appropriations	3,844		3,844
Expendable trusts	1,609,022		1,609,022
Encumbrances	8,420		8,420
Conservation commission		350,936	350,936
Sewer operations		643,977	643,977
Sewer capital cost recovery		3,900	3,900
Recreation revolving		98,431	98,431
Special details revolving		54,409	54,409
Ambulance revolving		290,776	290,776
Cemetery		24,283	24,283

Assigned for:

Designated to offset subsequent year appropriations	675,000		675,000
Minimum offset to subsequent year tax rate	200,000		200,000
Encumbrances	6,616		6,616
Rowe House		199	199
Old Home Day		12,496	12,496

Unassigned:

Unassigned - General operations	4,158,207		4,158,207
	<u>\$ 6,974,141</u>	<u>\$ 1,952,405</u>	<u>\$ 8,926,546</u>

NOTE 10—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$1,659,559,422 as of April 1, 2016) and are due in two installments on July 14, 2016 and December 8, 2016. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

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

In accordance with State law, the Town collects taxes for the Gilford School District, Belknap County, and Gunstock Acres Village Water District, all independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$18,704,675, \$2,205,130, and \$78,329, for the Gilford School District, Belknap County, and Gunstock Acres Village Water District, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes. At December 31, 2016, the balance of the property tax appropriation due to the Gilford School District is \$6,904,675 and has been reported as 'Due to other governments' in these financial statements.

NOTE 11—RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

December 31, 2016, the Town was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2016.

Property and Liability Insurance

The Trust provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the Town shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$200,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$1,000,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

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

NOTE 12—CONTINGENCIES

Litigation

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

NOTE 13—SUBSEQUENT EVENTS

At the March 2017 Annual Town Meeting, voters authorized the issuance of up to \$950,000 in bonds or notes for improvements to the Recycle Center; including the establishment of a solid waste transfer station. In addition, voters authorized the issuance of up to \$725,000 in bonds or notes for improvements to the two sewer pump stations at Varney Point; such funding to be repaid through income received from sewer user fees and no amount to be raised through taxation.

SCHEDULE 1
TOWN OF GILFORD, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget -</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
Revenues:				
Taxes	\$ 8,719,504	\$ 8,719,504	\$ 8,748,270	\$ 28,766
Licenses and permits	1,747,362	1,747,362	1,945,098	197,736
Intergovernmental	866,526	866,526	796,953	(69,573)
Charges for services	449,200	449,200	526,457	77,257
Interest income	6,000	6,000	11,981	5,981
Miscellaneous	51,000	51,000	126,966	75,966
Total Revenues	<u>11,839,592</u>	<u>11,839,592</u>	<u>12,155,725</u>	<u>316,133</u>
Expenditures:				
Current operations:				
General government	2,224,963	2,224,963	2,184,400	40,563
Public safety	4,351,497	4,351,497	4,291,119	60,378
Highways and streets	2,836,798	2,836,798	2,842,405	(5,607)
Sanitation	636,524	636,524	548,387	88,137
Health and welfare	121,452	121,452	100,315	21,137
Culture and recreation	730,480	730,480	700,972	29,508
Conservation	22,050	22,050	22,050	-
Economic Development	289,999	289,999	210,673	79,326
Capital outlay	421,275	417,431	398,811	18,620
Debt service:				
Principal retirement	145,445	145,445	140,445	5,000
Interest and fiscal charges	74,834	74,834	76,452	(1,618)
Total Expenditures	<u>11,855,317</u>	<u>11,851,473</u>	<u>11,516,029</u>	<u>335,444</u>
Excess revenues over (under) expenditures	<u>(15,725)</u>	<u>(11,881)</u>	<u>639,696</u>	<u>651,577</u>
Other financing sources (uses):				
Transfers in	3,000	3,000	2,110	(890)
Transfers out	(187,275)	(187,275)	(187,275)	-
Total other financing sources (uses)	<u>(184,275)</u>	<u>(184,275)</u>	<u>(185,165)</u>	<u>(890)</u>
Net change in fund balance	(200,000)	(196,156)	454,531	650,687
Fund balance at beginning of year				
- Budgetary Basis	<u>5,536,743</u>	<u>5,536,743</u>	<u>5,536,743</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 5,336,743</u>	<u>\$ 5,340,587</u>	<u>\$ 5,991,274</u>	<u>\$ 650,687</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

TOWN OF GILFORD, NEW HAMPSHIRE

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

For the Year Ended December 31, 2016

	For the Measurement Period Ended June 30:			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Town's proportion of the net pension liability (asset)	0.2062%	0.1989%	0.1906%	0.1957%
Town's proportionate share of the net pension liability (asset)	\$ 10,965,906	\$ 7,880,941	\$ 7,154,420	\$ 8,423,053
Town's covered payroll	\$ 4,249,625	\$ 4,024,996	\$ 3,735,394	\$ 3,733,416
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	258.04%	195.80%	191.53%	225.61%
Plan fiduciary net position as a percentage of the total pension liability	58.30%	65.47%	66.32%	59.81%

See accompanying notes to the required supplementary information

SCHEDULE 3
TOWN OF GILFORD, NEW HAMPSHIRE
Schedule of Town Contributions
For the Year Ended December 31, 2016

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 750,180	\$ 692,399	\$ 652,124	\$ 559,976
Contributions in relation to the contractually required contribution	<u>(750,180)</u>	<u>(692,399)</u>	<u>(652,124)</u>	<u>(559,976)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 4,323,953	\$ 4,082,122	\$ 3,937,841	\$ 3,769,528
Contributions as a percentage of covered-employee payroll	17.35%	16.96%	16.56%	14.86%

See accompanying notes to the required supplementary information

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2016

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

General Fund

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

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 12,654,898	\$ 12,101,876
Difference in property taxes meeting susceptible to accrual criteria	(148,626)	
Non-budgetary revenues and expenditures	(18,976)	(195,480)
Non-budgetary transfers in	(10,000)	
Budgetary transfers out		178,000
Encumbrances - December 31, 2015		(76,667)
Encumbrances - December 31, 2016		15,036
Proceeds from capital lease obligations	(319,461)	(319,461)
Per Schedule 1	<u>\$ 12,157,835</u>	<u>\$ 11,703,304</u>

NOTE 2—BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at December 31, 2016 are as follows:

<i>Nonspendable:</i>	
Prepaid expenses	\$ 22,755
<i>Committed for:</i>	
Carryforward appropriations	3,844
<i>Assigned for:</i>	
Designated to offset subsequent year appropriations	675,000
Minimum offset to subsequent year tax rate	200,000
<i>Unassigned:</i>	
Unassigned - General operations	<u>5,089,675</u>
	<u>\$ 5,991,274</u>

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
For the Year Ended December 31, 2016

NOTE 3—SCHEDULE OF CHANGES IN THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF TOWN CONTRIBUTIONS

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

Change in Actuarial Assumptions

For the June 30, 2015 actuarial valuation, the New Hampshire Retirement System reduced its assumption for the investment rate of return from 7.75% to 7.25%, decreased the price inflation from 3.0% to 2.5%, decreased the wage inflation from 3.75% to 3.25%, and decreased the salary increases from 5.8% to 5.6%. Additionally, the mortality table was changed from the RP-2000 projected to 2020 with Scale AA to the RP-2014 employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP-2015.

SCHEDULE A
TOWN OF GILFORD, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2016

	Special Revenue Funds	Permanent Funds	Combining Totals
ASSETS			
Cash and cash equivalents	\$ 311,166	\$ 68,255	\$ 379,421
Investments	3,977	254,328	258,305
Taxes receivable	900		900
Accounts receivable, net	230,581		230,581
Special assessments	4,914		4,914
Due from other funds	1,090,651	4,650	1,095,301
Total Assets	<u>1,642,189</u>	<u>327,233</u>	<u>1,969,422</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 1,642,189</u>	<u>\$ 327,233</u>	<u>\$ 1,969,422</u>
LIABILITIES			
Accounts payable	\$ 7,453		\$ 7,453
Due to other funds	4,650		4,650
Total Liabilities	<u>12,103</u>	<u>\$ -</u>	<u>12,103</u>
DEFERRED INFLOWS OF RESOURCES			
Uncollected assessment revenue	4,914		4,914
Total Deferred Inflows of Resources	<u>4,914</u>	<u>-</u>	<u>4,914</u>
FUND BALANCES			
Nonspendable		288,953	288,953
Restricted	145,765	38,280	184,045
Committed	1,466,712		1,466,712
Assigned	12,695		12,695
Total Fund Balances	<u>1,625,172</u>	<u>327,233</u>	<u>1,952,405</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,642,189</u>	<u>\$ 327,233</u>	<u>\$ 1,969,422</u>

SCHEDULE A-1
TOWN OF GILFORD, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
December 31, 2016

	Library <u>Fund</u>	Sewer <u>Fund</u>	Conservation Commission <u>Fund</u>	Capital Cost Recovery <u>Fund</u>	Drug Forfeiture <u>Fund</u>	Rowe House <u>Fund</u>	Old Home Day <u>Fund</u>	Recreation <u>Fund</u>	Donations <u>Fund</u>	Special Details Revolving <u>Fund</u>	Ambulance Revolving <u>Fund</u>	Cemetery <u>Fund</u>	Total Nonmajor Special Revenue <u>Funds</u>
ASSETS													
Cash and cash equivalents	\$ 65,450		\$ 245,716										\$ 311,166
Investments	3,977												3,977
Taxes receivable			900										900
Accounts receivable, net		\$ 215,026								\$ 2,840	\$ 12,715		230,581
Special assessments				\$ 4,914									4,914
Due from other funds		430,485	142,144	3,900	\$ 24,866	\$ 199	\$ 13,416	\$ 98,668	\$ 14,759	51,569	281,712	\$ 28,933	1,090,651
Total Assets	<u>69,427</u>	<u>645,511</u>	<u>388,760</u>	<u>8,814</u>	<u>24,866</u>	<u>199</u>	<u>13,416</u>	<u>98,668</u>	<u>14,759</u>	<u>54,409</u>	<u>294,427</u>	<u>28,933</u>	<u>1,642,189</u>
DEFERRED OUTFLOWS OF RESOURCES													
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 69,427</u>	<u>\$ 645,511</u>	<u>\$ 388,760</u>	<u>\$ 8,814</u>	<u>\$ 24,866</u>	<u>\$ 199</u>	<u>\$ 13,416</u>	<u>\$ 98,668</u>	<u>\$ 14,759</u>	<u>\$ 54,409</u>	<u>\$ 294,427</u>	<u>\$ 28,933</u>	<u>\$ 1,642,189</u>
LIABILITIES													
Accounts payable		\$ 1,534	\$ 1,111				\$ 920	\$ 237			\$ 3,651		\$ 7,453
Due to other funds												\$ 4,650	4,650
Total Liabilities	<u>\$ -</u>	<u>1,534</u>	<u>1,111</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>920</u>	<u>237</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,651</u>	<u>4,650</u>	<u>12,103</u>
DEFERRED INFLOWS OF RESOURCES													
Uncollected assessment revenue				4,914									4,914
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,914</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,914</u>
FUND BALANCES													
Restricted	69,427		36,713		24,866				14,759				145,765
Committed		643,977	350,936	3,900						54,409	290,776	24,283	1,466,712
Assigned						199	12,496	98,431					12,695
Total Fund Balances	<u>69,427</u>	<u>643,977</u>	<u>387,649</u>	<u>3,900</u>	<u>24,866</u>	<u>199</u>	<u>12,496</u>	<u>98,431</u>	<u>14,759</u>	<u>54,409</u>	<u>290,776</u>	<u>24,283</u>	<u>1,625,172</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 69,427</u>	<u>\$ 645,511</u>	<u>\$ 388,760</u>	<u>\$ 8,814</u>	<u>\$ 24,866</u>	<u>\$ 199</u>	<u>\$ 13,416</u>	<u>\$ 98,668</u>	<u>\$ 14,759</u>	<u>\$ 54,409</u>	<u>\$ 294,427</u>	<u>\$ 28,933</u>	<u>\$ 1,642,189</u>

SCHEDULE B

TOWN OF GILFORD, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds - All Nonmajor Funds

For the Year Ended December 31, 2016

	Special Revenue Funds	Permanent Funds	Combining Totals
Revenues:			
Taxes	\$ 47,602		\$ 47,602
Intergovernmental	17,841		17,841
Charges for services	1,352,605		1,352,605
Interest and investment income	38,357	\$ 18,076	56,433
Miscellaneous	68,579	5,150	73,729
Total Revenues	<u>1,524,984</u>	<u>23,226</u>	<u>1,548,210</u>
Expenditures:			
Current operations:			
General government	559	2,341	2,900
Public safety	400,753		400,753
Sanitation	670,035		670,035
Culture and recreation	78,754		78,754
Conservation	6,111		6,111
Capital outlay	10,591		10,591
Total Expenditures	<u>1,166,803</u>	<u>2,341</u>	<u>1,169,144</u>
Excess revenues over expenditures	<u>358,181</u>	<u>20,885</u>	<u>379,066</u>
Other financing sources (uses):			
Transfers in	9,275		9,275
Transfers out	(12,110)		(12,110)
Total other financing sources (uses)	<u>(2,835)</u>	<u>-</u>	<u>(2,835)</u>
Net change in fund balances	355,346	20,885	376,231
Fund balances at beginning of year	<u>1,269,826</u>	<u>306,348</u>	<u>1,576,174</u>
Fund balances at end of year	<u>\$ 1,625,172</u>	<u>\$ 327,233</u>	<u>\$ 1,952,405</u>

SCHEDULE B-1

TOWN OF GILFORD, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds - All Nonmajor Special Revenue Funds

For the Year Ended December 31, 2016

	Library Fund	Sewer Fund	Conservation Commission Fund	Capital Cost Recovery Fund	Drug Forfeiture Fund	Rowe House Fund	Old Home Day Fund	Recreation Fund	Donations Fund	Special Details Revolving Fund	Ambulance Revolving Fund	Cemetery Fund	Total Nonmajor Special Revenue Funds
Revenues:													
Taxes			\$ 47,602										\$ 47,602
Intergovernmental					\$ 1,177					\$ 16,664			17,841
Charges for services		\$ 823,456		\$ 2,110				\$ 35,043		355,309	\$ 136,687		1,352,605
Interest and investment income	\$ 26	584	37,078	3	42		\$ 31	139		49	360	\$ 45	38,357
Miscellaneous	38,993		1,010			\$ 1	19,919		\$ 5,331			3,325	68,579
Total Revenues	39,019	824,040	85,690	2,113	1,219	1	19,950	35,182	5,331	372,022	137,047	3,370	1,524,984
Expenditures:													
Current operations:													
General government									559				559
Public safety					6,379				5,082	356,305	32,987		400,753
Sanitation		670,035											670,035
Culture and recreation	28,597						27,855	19,845	2,457				78,754
Conservation			6,111										6,111
Capital outlay		10,591											10,591
Total Expenditures	28,597	680,626	6,111	-	6,379	-	27,855	19,845	8,098	356,305	32,987	-	1,166,803
Excess revenues over (under) expenditures	10,422	143,414	79,579	2,113	(5,160)	1	(7,905)	15,337	(2,767)	15,717	104,060	3,370	358,181
Other financing sources (uses):													
Transfers in							9,275						9,275
Transfers out		(10,000)		(2,110)									(12,110)
Total other financing sources (uses)	-	(10,000)	-	(2,110)	-	-	9,275	-	-	-	-	-	(2,835)
Net change in fund balances	10,422	133,414	79,579	3	(5,160)	1	1,370	15,337	(2,767)	15,717	104,060	3,370	355,346
Fund balances at beginning of year	59,005	510,563	308,070	3,897	30,026	198	11,126	83,094	17,526	38,692	186,716	20,913	1,269,826
Fund balances at end of year	\$ 69,427	\$ 643,977	\$ 387,649	\$ 3,900	\$ 24,866	\$ 199	\$ 12,496	\$ 98,431	\$ 14,759	\$ 54,409	\$ 290,776	\$ 24,283	\$ 1,625,172

SCHEDULE C
TOWN OF GILFORD, NEW HAMPSHIRE
Combining Statement of Fiduciary Net Position
Fiduciary Funds - All Agency Funds
December 31, 2016

	School Agency <u>Funds</u>	District Agency <u>Funds</u>	Escrow Agency <u>Fund</u>	Combining <u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 199,721	\$ 117,252	\$ 125,427	\$ 442,400
Total Assets	<u>\$ 199,721</u>	<u>\$ 117,252</u>	<u>\$ 125,427</u>	<u>\$ 442,400</u>
LIABILITIES				
Due to other governments	\$ 199,721	\$ 117,252		\$ 316,973
Deposits			\$ 88,080	88,080
Due to other funds			37,347	37,347
Total Liabilities	<u>\$ 199,721</u>	<u>\$ 117,252</u>	<u>\$ 125,427</u>	<u>\$ 442,400</u>