

TOWN OF GILFORD, NEW HAMPSHIRE

Financial Statements

December 31, 2015

and

Independent Auditor's Report

**TOWN OF GILFORD, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2015**

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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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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, 2015, or the changes in financial position thereof for the year then ended.

Unmodified Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, schedule of changes in the Town’s proportionate share of the net pension liability, and the schedule of Town contributions, on pages i-vi and 25-29 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.

Vachon Clutay & Company PC

Manchester, New Hampshire
August 23, 2016

**TOWN OF GILFORD, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2015**

Presented here is the Management Discussion & Analysis Report for the Town of Gilford, NH, for the year ending December 31, 2015. Responsibility for both the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with the Board of Selectmen. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. We report this data in a manner designed to present fairly the Town's financial position and the results of operations of the various Town funds. All disclosures necessary to enable the reader to gain an accurate understanding of the Town's financial activities have been included.

The Board of Selectmen are responsible for establishing an accounting and internal control structure designed to ensure that the physical, data, informational, intellectual, and human resource assets of the Town are protected from loss, theft, and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). The Board of Selectmen also 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, 2015**

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, 2015**

Government-Wide Financial Analysis

New Standards Implemented

During the year ended December 31, 2015, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 68 – *Accounting and Financial Reporting for Pensions*. Under GASB Statement 68, the Town is required to report its proportional share of the New Hampshire Retirement System's unfunded pension liability as 'Net pension Liability' on the government-wide financial statements. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2014. The restatement of the 2014 Net Position can be found in the notes to the basic financial statements. See Note 6 to the basic financial statements for further information relating to GASB Statement 68.

Statement of Net position

Net position of the Town of Gilford as of December 31, 2015 and 2014, is as follows:

	<u>2015</u>	<u>2014</u>
Capital assets, net	\$ 26,635,894	\$ 24,719,005
Other assets	<u>15,542,855</u>	<u>16,460,448</u>
Total Assets	<u>42,178,749</u>	<u>41,179,453</u>
Total Deferred Outflows of Resources	<u>505,867</u>	<u>323,314</u>
Long-term liabilities	10,106,289	9,471,604
Other liabilities	<u>6,474,304</u>	<u>6,499,235</u>
Total Liabilities	<u>16,580,593</u>	<u>15,970,839</u>
Total Deferred Inflows of Resources	<u>383,567</u>	<u>1,096,133</u>
Net Position:		
Net investment in capital assets	24,764,914	23,918,366
Restricted	698,214	616,122
Unrestricted (deficit)	<u>257,328</u>	<u>(98,693)</u>
Total Net Position	<u>\$ 25,720,456</u>	<u>\$ 24,435,795</u>

Statement of Activities

Changes in net position for the years ending December 31, 2015 and 2014, are as follows:

	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues:		
Charges for services	\$ 1,637,859	\$ 1,579,492
Operating grants and contributions	453,927	218,910
Capital grants and contributions	169,424	

**TOWN OF GILFORD, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2015**

General revenues:		
Property and other taxes	8,401,908	7,718,463
Licenses and permits	1,870,486	1,824,852
Grants and contributions	343,515	344,178
Interest and investment earnings	17,922	42,432
Miscellaneous	<u>253,476</u>	<u>451,141</u>
Total revenues	<u>13,148,517</u>	<u>12,179,468</u>
Expenses		
General government	2,158,795	2,241,542
Public safety	4,326,828	4,470,715
Highways and streets	2,729,390	2,701,127
Sanitation	1,432,356	1,154,379
Health and welfare	151,354	106,427
Culture and recreation	750,505	845,764
Conservation	41,696	42,649
Economic development	212,775	30,090
Interest and fiscal charges	<u>68,797</u>	<u>69,758</u>
Total expenses	<u>11,872,496</u>	<u>11,662,451</u>
Increase in net position before contributions to permanent fund principal	1,276,021	517,017
Contributions to permanent fund principal	<u>8,640</u>	<u>5,687</u>
Increase in net position	1,284,661	522,704
Net Position, beginning of year -	24,435,795	31,840,330
Restatement due to implementation of GASB Statement #68		<u>(7,927,239)</u>
Net Position, end of year	<u>\$ 25,720,456</u>	<u>\$ 24,435,795</u>

Town of Gilford Activities

As shown in the above statement, there was an increase in the Town's total net position of \$1,284,661. This increase is primarily attributable to current year capital asset additions, which includes the completed addition to the police station as well as several vehicles, in excess of depreciation expense in the amount of \$1,947,890.

The General Fund ended the year with an unassigned fund balance of \$4,232,103 or 32% of total general fund expenditures. This is an increase in unassigned fund balance of \$657,121 from last year. The increase is attributable to total revenues in excess of budgeted amounts and savings realized in all expenditure functions, with the exception of capital outlay and debt service.

The fund balances of the Nonmajor Governmental Funds increased by a total \$30,137 from the prior year. Increases to fund balance were realized in all Nonmajor Governmental Funds, with the exception of the Sewer Fund which transferred \$210,000 to an expendable trust during the year.

**TOWN OF GILFORD, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2015**

General Fund Budgetary Highlights

During the year, the original budget for appropriations increased due to carryforward appropriations from the previous year. Additionally, budgets for both appropriations and revenues increased by offsetting amounts for unanticipated revenues received from public safety and CDBG grants. The Town under expended its total 2015 budget by \$264,888. This was mainly due to staff vacancies and turnover in the Police and Highway Departments. This contributed to savings in Public Safety of \$157,020 and in Highways and Streets of \$134,548. The capital outlay function was over expended due to purchases necessary for the completion of the police station addition project. Actual revenues were greater than budgeted by \$308,583. This was primarily a result of revenues from interest and penalties on taxes and motor vehicle fees in excess of anticipated amounts. The unassigned budgetary fund balance of the General Fund at year end was \$5,312,197, an increase of \$552,633 from the prior year balance.

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 \$26,635,894 (net of accumulated depreciation), an increase of \$1,916,889 primarily due to the completion of the police station addition. 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 completion of the police station addition for \$1,844,542, as well as purchases of a new radio system for \$193,533, a new heavy-duty dump truck with plow for \$182,110 and a new ambulance for \$208,162.

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 \$1,812,923 and capital leases payable was \$58,057. During the year ended 2015, outstanding general obligation debt decreased by (\$145,008) as a result of scheduled payments made on existing obligations and amortization of the related bond premium. Total outstanding capital leases payable increased by \$43,696 as a result of scheduled principal payments of (\$10,561) and two new existing obligations entered into during the year totaling \$54,257. The Town's other long-term obligations consist of compensated absences payable which had a net increase in liability of \$9,476 for the year ended December 31, 2015.

As noted previously, during the year ended December 31, 2015, the Town adopted and implemented 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. The Town's portion of the unfunded liability as of December 31, 2015 is \$7,880,941.

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

**TOWN OF GILFORD, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2015**

Economic Factors, Rates and 2015 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 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 2015 tax rates to the 2014 tax rates:

	<u>2015</u>	<u>2014</u>
Town rate	\$5.14	\$4.96
Local school rate	9.00	9.35
State school rate	2.45	2.53
County rate	<u>1.38</u>	<u>1.46</u>
Total rate	<u>\$17.97</u>	<u>\$18.30</u>
 Assessed value (in thousands)	 \$1,631,228,961	 \$1,571,339,584

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, 2015

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 12,486,116
Investments	1,083,741
Taxes receivable, net	1,546,461
Accounts receivable, net	390,637
Due from other governments	4,330
Unearned assessments	7,024
Prepaid expenses	24,546
Total Current Assets	<u>15,542,855</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	13,303,257
Depreciable capital assets, net	13,332,637
Total Noncurrent Assets	<u>26,635,894</u>
Total Assets	<u>42,178,749</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	505,867
Total Deferred Outflows of Resources	<u>505,867</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	250,435
Accrued expenses	122,916
Due to other governments	6,100,953
Current portion of bonds payable	115,836
Current portion of note payable	31,600
Current portion of capital leases payable	18,634
Current portion of compensated absences payable	17,718
Total Current Liabilities	<u>6,658,092</u>
Noncurrent Liabilities:	
Bonds payable	1,618,087
Note payable	47,400
Capital leases payable	39,423
Compensated absences payable	336,650
Net pension liability	7,880,941
Total Noncurrent Liabilities	<u>9,922,501</u>
Total Liabilities	<u>16,580,593</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	383,567
Total Deferred Inflows of Resources	<u>383,567</u>
NET POSITION	
Net investment in capital assets	24,764,914
Restricted	698,214
Unrestricted	257,328
Total Net Position	<u>\$ 25,720,456</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, 2015

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions		
Governmental Activities:					
General government	\$ 2,158,795	\$ 68,089	\$ 296		\$ (2,090,410)
Public safety	4,326,828	534,838	43,442	\$ 169,424	(3,579,124)
Highways and streets	2,729,390	2,393	207,482		(2,519,515)
Sanitation	1,432,356	990,919			(441,437)
Health and welfare	151,354				(151,354)
Culture and recreation	750,505	41,620			(708,885)
Conservation	41,696				(41,696)
Economic development	212,775		202,707		(10,068)
Interest and fiscal charges	68,797				(68,797)
Total governmental activities	<u>\$ 11,872,496</u>	<u>\$ 1,637,859</u>	<u>\$ 453,927</u>	<u>\$ 169,424</u>	<u>(9,611,286)</u>
General revenues:					
Property and other taxes					8,401,908
Licenses and permits					1,870,486
Grants and contributions:					
Rooms and meals tax distribution					342,970
State and federal forest land					545
Interest and investment earnings					17,922
Miscellaneous					253,476
Contributions to permanent fund principal					8,640
Total general revenues and contributions to permanent fund principal					<u>10,895,947</u>
Change in net position					1,284,661
Net Position - beginning of year, as restated					<u>24,435,795</u>
Net Position - end of year					<u>\$25,720,456</u>

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 12,125,003	\$ 361,113	\$ 12,486,116
Investments	838,140	245,601	1,083,741
Taxes receivable, net	1,535,561	10,900	1,546,461
Accounts receivable, net	126,483	226,807	353,290
Unearned assessments		7,024	7,024
Due from other funds	37,347	748,004	785,351
Prepaid expenses	24,546		24,546
Total Assets	<u>14,687,080</u>	<u>1,599,449</u>	<u>16,286,529</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 14,687,080</u>	<u>\$ 1,599,449</u>	<u>\$ 16,286,529</u>
LIABILITIES			
Accounts payable	\$ 237,684	\$ 12,751	\$ 250,435
Accrued expenses	102,726		102,726
Due to other governments	6,100,953		6,100,953
Due to other funds	744,504	3,500	748,004
Total Liabilities	<u>7,185,867</u>	<u>16,251</u>	<u>7,202,118</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned property taxes	1,080,094		1,080,094
Unearned assessment revenue		7,024	7,024
Total Deferred Inflows of Resources	<u>1,080,094</u>	<u>7,024</u>	<u>1,087,118</u>
FUND BALANCES			
Nonspendable	24,546	271,167	295,713
Restricted	285,309	141,738	427,047
Committed	1,605,234	1,151,945	2,757,179
Assigned	273,927	11,324	285,251
Unassigned	4,232,103		4,232,103
Total Fund Balances	<u>6,421,119</u>	<u>1,576,174</u>	<u>7,997,293</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 14,687,080</u>	<u>\$ 1,599,449</u>	
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds			26,635,894
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis			1,080,094
Other long-term assets are not available to pay current period expenditures, and therefore, are not reported in governmental funds			4,330
Special assessments are not available to pay for current period expenditures, and therefore, are unearned in the governmental funds			7,024
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			505,867
Deferred inflows of resources related to net pension liability			(383,567)
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			(1,733,923)
Note payable			(79,000)
Capital leases payable			(58,057)
Accrued interest on long-term obligations			(20,190)
Compensated absences payable			(354,368)
Net pension liability			<u>(7,880,941)</u>
Net Position of Governmental Activities			<u>\$ 25,720,456</u>

See accompanying notes to the basic financial statements

EXHIBIT D

TOWN OF GILFORD, NEW HAMPSHIRE

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 8,435,509	\$ 70,886	\$ 8,506,395
Licenses and permits	1,870,486		1,870,486
Intergovernmental	928,013	41,147	969,160
Charges for services	524,087	1,086,188	1,610,275
Interest and investment income	15,832	2,090	17,922
Miscellaneous	215,606	77,321	292,927
Total Revenues	<u>11,989,533</u>	<u>1,277,632</u>	<u>13,267,165</u>
Expenditures:			
Current operations:			
General government	2,109,177	8,361	2,117,538
Public safety	4,193,525	220,923	4,414,448
Highways and streets	2,602,857		2,602,857
Sanitation	624,495	721,422	1,345,917
Health and welfare	110,043		110,043
Culture and recreation	681,076	82,244	763,320
Conservation	41,612		41,612
Economic development	206,465		206,465
Capital outlay	2,277,479	10,591	2,288,070
Debt service:			
Principal retirement	137,193		137,193
Interest and fiscal charges	86,842		86,842
	<u>13,070,764</u>	<u>1,043,541</u>	<u>14,114,305</u>
Excess revenues over (under) expenditures	<u>(1,081,231)</u>	<u>234,091</u>	<u>(847,140)</u>
Other financing sources (uses):			
Proceeds from capital lease obligations	54,257		54,257
Transfers in	213,229	9,275	222,504
Transfers out	(9,275)	(213,229)	(222,504)
Total other financing sources (uses)	<u>258,211</u>	<u>(203,954)</u>	<u>54,257</u>
Net change in fund balances	(823,020)	30,137	(792,883)
Fund balances at beginning of year, as restated	<u>7,244,139</u>	<u>1,546,037</u>	<u>8,790,176</u>
Fund balances at end of year	<u>\$ 6,421,119</u>	<u>\$ 1,576,174</u>	<u>\$ 7,997,293</u>

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, 2015

Net Change in Fund Balances--Total Governmental Funds	\$ (792,883)
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.	1,947,890
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.	(31,001)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(110,008)
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.	137,193
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.	7,816
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.	10,561
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.	(54,257)
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	10,229
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.	(9,476)
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 contributions exceeded pension expense in the current period.	168,597
Change in Net Position of Governmental Activities	<u>\$ 1,284,661</u>

See accompanying notes to the basic financial statements

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

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 630,208
Total Assets	<u>\$ 630,208</u>
LIABILITIES	
Due to other governments	\$ 506,470
Deposits	86,391
Due to other funds	<u>37,347</u>
Total Liabilities	<u>\$ 630,208</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, 2015

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, 2015**

Fund Accounting

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

1. Governmental Funds:

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

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

2. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is 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, 2015**

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 unearned revenue, and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 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 unearned revenue.

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, 2015

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

Budgetary Data

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

State law requires balanced budgets, but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2015, the Town did not apply any 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, 2015 are recorded as receivables net of reserves for estimated uncollectibles of \$60,000.

Accounts Receivable

Charges for services billed during the current fiscal year and prior and uncollected at December 31, 2015 are recorded as receivables net of reserves for estimated uncollectibles of \$289,877 and \$121,600 in the General Fund and the Nonmajor Governmental Funds, respectively.

Unearned Assessments

Assessment fees charged for sewer hook-ups during the current and prior years that will be collected in future periods are recorded as unearned 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, 2015**

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, 2015**

Pensions

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

Net Position

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

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

balance is to be reported here. Any deficit balance of another governmental fund is also classified as “Unassigned”.

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, 2015

NOTE 3—DEPOSITS AND INVESTMENTS

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

Statement of Net Position:	
Cash and cash equivalents	\$ 12,486,116
Investments	1,083,741
Statement of Fiduciary Net Position:	
Cash and cash equivalents	630,208
	<u>\$ 14,200,065</u>

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

Cash on hand	\$ 174,322
Deposits with financial institutions	911,384
Investments	13,114,359
	<u>\$ 14,200,065</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, 2015, 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	\$ 71,439		\$ 71,439
Equity mutual funds		\$ 264,804	264,804
Bond mutual funds		256,188	256,188
Money market mutual funds		2,245,334	2,245,334
	<u>\$ 71,439</u>	<u>\$ 2,766,326</u>	<u>\$ 2,837,765</u>

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

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, \$173,767 was collateralized by securities held by the bank in the bank's name.

As of December 31, 2015, 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	\$ 264,804
Bond mutual funds	256,188
Money market mutual funds	2,245,334
Repurchase agreement (fully collateralized)	<u>10,276,594</u>
	<u>\$ 13,042,920</u>

Investment in NHPDIP

The Town is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP). 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. 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.

NOTE 4—CAPITAL ASSETS

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

	<u>Balance</u> <u>01/01/2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2015</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 13,303,257			\$ 13,303,257
Construction in progress	<u>527,167</u>		\$ (527,167)	<u>-</u>
Total capital assets not being depreciated	<u>13,830,424</u>	<u>\$ -</u>	<u>(527,167)</u>	<u>13,303,257</u>
Other capital assets:				
Intangible assets	1,463,238			1,463,238
Buildings and improvements	6,382,231	1,844,542		8,226,773
Vehicles and equipment	4,087,674	1,010,812	(277,627)	4,820,859
Infrastructure	<u>2,765,856</u>			<u>2,765,856</u>
Total other capital assets at historical cost	<u>14,698,999</u>	<u>2,855,354</u>	<u>(277,627)</u>	<u>17,276,726</u>

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

Less accumulated depreciation for:

Intangible assets	(90,912)	(16,819)		(107,731)
Buildings and improvements	(1,194,408)	(63,840)		(1,258,248)
Vehicles and equipment	(1,916,611)	(244,321)	246,626	(1,914,306)
Infrastructure	(608,487)	(55,317)		(663,804)
Total accumulated depreciation	<u>(3,810,418)</u>	<u>(380,297)</u>	<u>246,626</u>	<u>(3,944,089)</u>
Total other capital assets, net	<u>10,888,581</u>	<u>2,475,057</u>	<u>(31,001)</u>	<u>13,332,637</u>
Total capital assets, net	<u>\$ 24,719,005</u>	<u>\$ 2,475,057</u>	<u>\$ (558,168)</u>	<u>\$ 26,635,894</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 50,376
Public safety	120,840
Highways and streets	111,328
Sanitation	56,399
Culture and recreation	41,354
Total governmental activities depreciation expense	<u>\$ 380,297</u>

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

Vehicles and equipment	\$ 90,926
Less: Accumulated depreciation	<u>(16,080)</u>
	<u>\$ 74,846</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, 2015 are as follows:

	Balance 01/01/2015	Additions	Reductions	Balance 12/31/2015	Due Within One Year
Governmental activities:					
Bonds payable	\$ 1,764,331		\$ (105,592)	\$ 1,658,739	\$ 108,845
Unamortized bond premium	<u>83,000</u>		<u>(7,816)</u>	<u>75,184</u>	<u>6,991</u>
Total Bonds payable	1,847,331	\$ -	(113,408)	1,733,923	115,836
Note payable	110,600		(31,600)	79,000	31,600
Capital leases payable	14,361	54,257	(10,561)	58,057	18,634
Compensated absences payable	<u>344,892</u>	<u>23,676</u>	<u>(14,200)</u>	<u>354,368</u>	<u>17,718</u>
	<u>\$ 2,317,184</u>	<u>\$ 77,933</u>	<u>\$ (169,769)</u>	<u>\$ 2,225,348</u>	<u>\$ 183,788</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.

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

General Obligation Bonds

Bonds payable at December 31, 2015 are comprised of the following individual issues:

<u>Description</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 12/31/2015</u>
1998 Cherry Valley Extension Bonds	\$ 135,767	4.22%	December 2017	\$ 13,577
2008 Bean Property Bonds	980,000	5.03%	December 2022	550,162
2014 Police Station Bonds	1,130,000	3.44%	August 2034	1,095,000
	<u>\$ 2,245,767</u>		Sub-total Bonds payable	1,658,739
			Add: <i>Unamortized bond premium</i>	75,184
			Total Bonds payable	<u>\$ 1,733,923</u>

Debt service requirements to retire general obligation bonds outstanding at December 31, 2015 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 108,845	\$ 75,046	\$ 183,891
2017	117,425	69,395	186,820
2018	114,324	63,381	177,705
2019	123,204	57,461	180,665
2020	127,251	51,119	178,370
2021-2025	442,690	170,523	613,213
2026-2030	320,000	102,310	422,310
2031-2034	305,000	31,980	336,980
Sub-total Bonds payable	1,658,739	621,215	2,279,954
Add: <i>Unamortized Bond Premium</i>	75,184	-	75,184
Total Bonds payable	<u>\$ 1,733,923</u>	<u>\$ 621,215</u>	<u>\$ 2,355,138</u>

General Obligation Note

Note payable at December 31, 2015 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 12/31/2015</u>
2013 Communications Equipment Note	\$ 158,000	2.09%	July 2018	\$ 79,000

Debt service requirements to retire the general obligation note outstanding at December 31, 2015 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 31,600	\$ 1,406	\$ 33,006
2017	31,600	741	32,341
2018	15,800	123	15,923
	<u>\$ 79,000</u>	<u>\$ 2,270</u>	<u>\$ 81,270</u>

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

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, 2015:

Police Department vehicle, due in annual installments of \$3,900, including interest at 2.638%, through April 2016	\$ 3,800
Public Works vehicle, due in annual installments of \$10,591, including interest at 5.95%, through August 2018	28,335
Fire Department vehicle, due in annual installments of \$7,472, including interest at 5.95%, through July 2019	<u>25,922</u>
	<u>\$ 58,057</u>

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

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 18,634	\$ 3,328	\$ 21,962
2017	15,717	2,346	18,063
2018	16,653	1,410	18,063
2019	<u>7,053</u>	<u>420</u>	<u>7,473</u>
	<u>\$ 58,057</u>	<u>\$ 7,504</u>	<u>\$ 65,561</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 employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan.

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

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

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

Funding Policy

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

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's pension contributions to the NHRS for the year ending December 31, 2015 were \$700,549.

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

At December 31, 2015, the Town reported a liability of \$7,880,941 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension

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

liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2014. The Town's proportion of the net pension liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2015, the Town's proportion was approximately 0.1989 percent, which was an increase of 0.0083 percentage points from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Town recognized pension expense of \$535,403. At December 31, 2015, 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		\$ 172,940
Net difference between projected and actual earnings on pension plan investments		210,627
Changes in proportion and differences between Town contributions and share of contributions	\$ 145,963	
Town contributions subsequent to the measurement date	<u>359,904</u>	<u> </u>
Totals	<u>\$ 505,867</u>	<u>\$ 383,567</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions is reflected as an increase to unrestricted net position in the amount of \$122,300. The Town reported \$359,904 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ending December 31,</u>	
2016	\$ (125,532)
2017	(125,532)
2018	(125,532)
2019	128,720
2020	<u>10,272</u>
	<u>\$ (237,604)</u>

Actuarial Assumptions

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

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

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Net of inflation assumption of 3.0%)</u>
Fixed income	25%	(1.0)-0.28%
Domestic equity	30%	3.0%
International equity	20%	4.0-6.0%
Real estate	10%	3.5%
Private equity	5%	5.5%
Private debt	5%	4.5%
Opportunistic	5%	2.75%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that 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. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the 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 7.75 percent, as well as what the Town's proportionate share of the net pension liability

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

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 <u>(6.75%)</u>	Discount rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
Town's proportionate share of the net pension liability	\$ 10,374,235	\$ 7,880,941	\$ 5,755,394

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, 2015 are as follows:

		<u>Due from</u>			
		General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Fiduciary <u>Funds</u>	<u>Totals</u>
<u>Due to</u>	General Fund			\$ 37,347	\$ 37,347
	Nonmajor Governmental Funds	\$ 744,504	\$ 3,500		748,004
		<u>\$ 744,504</u>	<u>\$ 3,500</u>	<u>\$ 37,347</u>	<u>\$ 785,351</u>

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

Interfund transfers for the year ended December 31, 2015 are as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 213,229	\$ 9,275
Nonmajor Governmental Funds:		
Old Home Day Fund	9,275	
Sewer Fund		210,000
Capital Cost Recovery Fund		3,229
	<u>\$ 222,504</u>	<u>\$ 222,504</u>

NOTE 8—RESTRICTED NET POSITION

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

Permanent Funds - Principal	\$ 271,167
Permanent Funds - Income	35,181
Conservation Trusts	285,309
Library funds	59,005
Drug Forfeiture funds	30,026
Donation funds	17,526
	<u>\$ 698,214</u>

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

NOTE 9—COMPONENTS OF FUND BALANCE

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepaid expenses	\$ 24,546		\$ 24,546
Permanent funds - Principal		\$ 271,167	271,167
Restricted for:			
Conservation trusts	285,309		285,309
Permanent funds - Income		35,181	35,181
Library operations		59,005	59,005
Drug forfeiture		30,026	30,026
Donations		17,526	17,526
Committed for:			
Expendable trusts	1,602,494		1,602,494
Encumbrances	2,740		2,740
Conservation commission		308,070	308,070
Sewer operations		510,563	510,563
Sewer capital cost recovery		3,897	3,897
Recreation revolving		83,094	83,094
Public safety special details		38,692	38,692
Ambulance revolving		186,716	186,716
Cemetery		20,913	20,913
Assigned for:			
Minimum offset to subsequent year tax rate	200,000		200,000
Encumbrances	73,927		73,927
Rowe House		198	198
Old Home Day		11,126	11,126
Unassigned:			
Unassigned - General operations	4,232,103		4,232,103
	<u>\$ 6,421,119</u>	<u>\$ 1,576,174</u>	<u>\$ 7,997,293</u>

NOTE 10—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$1,631,228,961 as of April 1, 2015) and are due in two installments on July 9, 2015 and December 17, 2015. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

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

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

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 \$18,651,193, \$2,248,183, and \$96,723, 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, 2015, the balance of the property tax appropriation due to the Gilford School District is \$6,100,953 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 December 31, 2015, the Town was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2015.

Property and Liability Insurance

The Trust provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the Town shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$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.

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

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 legal counsel and 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—RESTATEMENT OF EQUITY

During the year ended December 31, 2015, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 68 - *Accounting and Financial Reporting for Pensions*, as described in Note 1 of these financial statements. In addition, it was determined that accounts payable of the governmental activities was understated. Net Position of the governmental activities as of January 1, 2015 has been restated accordingly as follows:

Net Position - January 1, 2015 (as previously reported)	\$ 32,423,102
Amount of restatement due to:	
Deferred outflows related to pension	323,314
Deferred inflows related to pension	(1,096,133)
Net pension liability	(7,154,420)
Understatement of accounts payable	<u>(60,068)</u>
Net Position - January 1, 2015, as restated	<u>\$ 24,435,795</u>

The impact of the above restatements on the governmental funds as of January 1, 2015 is as follows:

	Nonmajor Governmental <u>Funds</u>
Fund Balance - January 1, 2015 (as previously reported)	\$ 1,606,105
Amount of restatement due to:	
Understatement of accounts payable	<u>(60,068)</u>
Fund Balance - January 1, 2015, as restated	<u>\$ 1,546,037</u>

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 8,169,541	\$ 8,169,541	\$ 8,331,022	\$ 161,481
Licenses and permits	1,797,350	1,797,350	1,870,486	73,136
Intergovernmental	551,514	931,993	928,013	(3,980)
Charges for services	454,300	454,300	524,087	69,787
Interest income	8,000	8,000	11,669	3,669
Miscellaneous	193,000	208,616	213,106	4,490
Total Revenues	<u>11,173,705</u>	<u>11,569,800</u>	<u>11,878,383</u>	<u>308,583</u>
Expenditures:				
Current operations:				
General government	2,124,374	2,169,990	2,121,697	48,293
Public safety	4,279,515	4,356,515	4,199,495	157,020
Highways and streets	2,881,538	2,784,038	2,649,490	134,548
Sanitation	631,990	631,990	616,845	15,145
Health and welfare	137,813	134,813	110,043	24,770
Culture and recreation	726,961	718,961	686,691	32,270
Conservation	40,459	41,459	40,548	911
Economic Development		206,465	206,465	-
Capital outlay	1,580,662	1,754,676	1,902,866	(148,190)
Debt service:				
Principal retirement	137,192	137,192	137,193	(1)
Interest and fiscal charges	86,464	86,964	86,842	122
Total Expenditures	<u>12,626,968</u>	<u>13,023,063</u>	<u>12,758,175</u>	<u>264,888</u>
Excess revenues over (under) expenditures	<u>(1,453,263)</u>	<u>(1,453,263)</u>	<u>(879,792)</u>	<u>573,471</u>
Other financing sources (uses):				
Transfers in	9,500	9,500	3,229	(6,271)
Transfers out	<u>(252,275)</u>	<u>(252,275)</u>	<u>(252,275)</u>	<u>-</u>
Total other financing sources (uses)	<u>(242,775)</u>	<u>(242,775)</u>	<u>(249,046)</u>	<u>(6,271)</u>
Net change in fund balance	(1,696,038)	(1,696,038)	(1,128,838)	567,200
Fund balance at beginning of year				
- Budgetary Basis	<u>6,665,581</u>	<u>6,665,581</u>	<u>6,665,581</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 4,969,543</u>	<u>\$ 4,969,543</u>	<u>\$ 5,536,743</u>	<u>\$ 567,200</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, 2015

	<u>For the Measurement Period Ended June 30:</u>		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Town's proportionate share of the net pension liability (asset)	0.1989%	0.1906%	0.1957%
Town's proportionate share of the net pension liability (asset)	\$ 7,880,941	\$ 7,154,420	\$ 8,423,053
Town's covered payroll	\$ 4,024,997	\$ 3,735,399	\$ 3,733,422
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	195.80%	191.53%	225.61%
Plan fiduciary net position as a percentage of the total pension liability	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, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 700,549	\$ 627,262	\$ 541,869
Contributions in relation to the contractually required contribution	<u>(700,549)</u>	<u>(627,262)</u>	<u>(541,869)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 4,179,569	\$ 3,738,251	\$ 3,682,122
Contributions as a percentage of covered-employee payroll	16.76%	16.78%	14.72%

See accompanying notes to the required supplementary information

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

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 Sources	Expenditures and Other Financing Uses
Per Exhibit D	\$ 12,257,019	\$ 13,080,039
Difference in property taxes meeting susceptible to accrual criteria	(104,487)	
Non-budgetary revenues and expenditures	(6,663)	(54,491)
Non-budgetary transfers in	(210,000)	
Budgetary transfers out		243,000
Encumbrances - December 31, 2014		(280,508)
Encumbrances - December 31, 2015		76,667
Proceeds from capital lease obligations	(54,257)	(54,257)
Per Schedule 1	<u>\$ 11,881,612</u>	<u>\$ 13,010,450</u>

NOTE 2—BUDGETARY FUND BALANCE

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

<i>Nonspendable:</i>	
Prepaid expenses	\$ 24,546
<i>Assigned for:</i>	
Minimum offset to subsequent year tax rate	200,000
<i>Unassigned:</i>	
Unassigned - General operations	<u>5,312,197</u>
	<u>\$ 5,536,743</u>

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

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 the information becomes available.

SCHEDULE A
TOWN OF GILFORD, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2015

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Combining <u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 299,897	\$ 61,216	\$ 361,113
Investments	3,969	241,632	245,601
Taxes receivable	10,900		10,900
Accounts receivable, net	226,807		226,807
Unearned assessments	7,024		7,024
Due from other funds	744,504	3,500	748,004
Total Assets	<u>1,293,101</u>	<u>306,348</u>	<u>1,599,449</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,293,101</u>	<u>\$ 306,348</u>	<u>\$ 1,599,449</u>
LIABILITIES			
Accounts payable	\$ 12,751		\$ 12,751
Due to other funds	3,500		3,500
Total Liabilities	<u>16,251</u>	<u>\$ -</u>	<u>16,251</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned assessment revenue	7,024		7,024
Total Deferred Inflows of Resources	<u>7,024</u>	<u>-</u>	<u>7,024</u>
FUND BALANCES			
Nonspendable		271,167	271,167
Restricted	106,557	35,181	141,738
Committed	1,151,945		1,151,945
Assigned	11,324		11,324
Total Fund Balances	<u>1,269,826</u>	<u>306,348</u>	<u>1,576,174</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,293,101</u>	<u>\$ 306,348</u>	<u>\$ 1,599,449</u>

SCHEDULE A-1
TOWN OF GILFORD, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
 December 31, 2015

	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	Police Special Detail Revolving Fund	Ambulance Revolving Fund	Cemetery Fund	Total Nonmajor Special Revenue Funds
ASSETS													
Cash and cash equivalents	\$ 55,036		\$ 244,861										\$ 299,897
Investments	3,969												3,969
Taxes receivable			10,900										10,900
Accounts receivable, net		\$ 210,270		\$ 158						\$ 2,600	\$ 13,779		226,807
Unearned assessments				7,024									7,024
Due from other funds		311,290	52,309	3,739	\$ 30,026	\$ 198	\$ 11,126	\$ 83,094	\$ 17,676	36,092	174,541	\$ 24,413	744,504
Total Assets	<u>59,005</u>	<u>521,560</u>	<u>308,070</u>	<u>10,921</u>	<u>30,026</u>	<u>198</u>	<u>11,126</u>	<u>83,094</u>	<u>17,676</u>	<u>38,692</u>	<u>188,320</u>	<u>24,413</u>	<u>1,293,101</u>
DEFERRED OUTFLOWS OF RESOURCES													
Total Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 59,005</u>	<u>\$ 521,560</u>	<u>\$ 308,070</u>	<u>\$ 10,921</u>	<u>\$ 30,026</u>	<u>\$ 198</u>	<u>\$ 11,126</u>	<u>\$ 83,094</u>	<u>\$ 17,676</u>	<u>\$ 38,692</u>	<u>\$ 188,320</u>	<u>\$ 24,413</u>	<u>\$ 1,293,101</u>
LIABILITIES													
Accounts payable		\$ 10,997							\$ 150		\$ 1,604		\$ 12,751
Due to other funds												\$ 3,500	3,500
Total Liabilities	<u>\$ -</u>	<u>10,997</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>150</u>	<u>\$ -</u>	<u>1,604</u>	<u>3,500</u>	<u>16,251</u>
DEFERRED INFLOWS OF RESOURCES													
Unearned assessment revenue				7,024									7,024
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,024</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,024</u>
FUND BALANCES													
Restricted	59,005				30,026				17,526				106,557
Committed		510,563	308,070	3,897				83,094		38,692	186,716	20,913	1,151,945
Assigned						198	11,126						11,324
Total Fund Balances	<u>59,005</u>	<u>510,563</u>	<u>308,070</u>	<u>3,897</u>	<u>30,026</u>	<u>198</u>	<u>11,126</u>	<u>83,094</u>	<u>17,526</u>	<u>38,692</u>	<u>186,716</u>	<u>20,913</u>	<u>1,269,826</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 59,005</u>	<u>\$ 521,560</u>	<u>\$ 308,070</u>	<u>\$ 10,921</u>	<u>\$ 30,026</u>	<u>\$ 198</u>	<u>\$ 11,126</u>	<u>\$ 83,094</u>	<u>\$ 17,676</u>	<u>\$ 38,692</u>	<u>\$ 188,320</u>	<u>\$ 24,413</u>	<u>\$ 1,293,101</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, 2015

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Combining <u>Totals</u>
Revenues:			
Taxes	\$ 70,886		\$ 70,886
Intergovernmental	41,147		41,147
Charges for services	1,086,188		1,086,188
Interest and investment income	2,090		2,090
Miscellaneous	70,819	\$ 6,502	77,321
Total Revenues	<u>1,271,130</u>	<u>6,502</u>	<u>1,277,632</u>
Expenditures:			
Current operations:			
General government	5,739	2,622	8,361
Public safety	220,923		220,923
Sanitation	721,422		721,422
Culture and recreation	82,244		82,244
Capital outlay	10,591		10,591
Total Expenditures	<u>1,040,919</u>	<u>2,622</u>	<u>1,043,541</u>
Excess revenues over expenditures	<u>230,211</u>	<u>3,880</u>	<u>234,091</u>
Other financing sources (uses):			
Transfers in	9,275		9,275
Transfers out	(213,229)		(213,229)
Total other financing sources (uses)	<u>(203,954)</u>	<u>-</u>	<u>(203,954)</u>
Net change in fund balances	26,257	3,880	30,137
Fund balances at beginning of year, as restated	<u>1,243,569</u>	<u>302,468</u>	<u>1,546,037</u>
Fund balances at end of year	<u>\$ 1,269,826</u>	<u>\$ 306,348</u>	<u>\$ 1,576,174</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, 2015

	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	Police Special Detail Revolving Fund	Ambulance Revolving Fund	Cemetery Fund	Total Nonmajor Special Revenue Funds
Revenues:													
Taxes			\$ 70,886										\$ 70,886
Intergovernmental					\$ 31,395					\$ 9,752			41,147
Charges for services		\$ 756,336		\$ 3,229				\$ 33,995		169,324	\$ 123,304		1,086,188
Interest and investment income	\$ 34	651	899	26	43		\$ 20	131		67	178	\$ 41	2,090
Miscellaneous	38,843						20,541		\$ 5,560			5,875	70,819
Total Revenues	<u>38,877</u>	<u>756,987</u>	<u>71,785</u>	<u>3,255</u>	<u>31,438</u>	<u>\$ -</u>	<u>20,561</u>	<u>34,126</u>	<u>5,560</u>	<u>179,143</u>	<u>123,482</u>	<u>5,916</u>	<u>1,271,130</u>
Expenditures:													
Current operations:													
General government									239			5,500	5,739
Public safety					11,534				3,567	173,167	32,655		220,923
Sanitation		721,422											721,422
Culture and recreation	31,308						24,801	25,253	882				82,244
Capital outlay		10,591											10,591
Total Expenditures	<u>31,308</u>	<u>732,013</u>	<u>-</u>	<u>-</u>	<u>11,534</u>	<u>-</u>	<u>24,801</u>	<u>25,253</u>	<u>4,688</u>	<u>173,167</u>	<u>32,655</u>	<u>5,500</u>	<u>1,040,919</u>
Excess revenues over (under) expenditures	<u>7,569</u>	<u>24,974</u>	<u>71,785</u>	<u>3,255</u>	<u>19,904</u>	<u>-</u>	<u>(4,240)</u>	<u>8,873</u>	<u>872</u>	<u>5,976</u>	<u>90,827</u>	<u>416</u>	<u>230,211</u>
Other financing sources (uses):													
Transfers in							9,275						9,275
Transfers out		(210,000)		(3,229)									(213,229)
Total other financing sources (uses)	<u>-</u>	<u>(210,000)</u>	<u>-</u>	<u>(3,229)</u>	<u>-</u>	<u>-</u>	<u>9,275</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(203,954)</u>
Net change in fund balances	7,569	(185,026)	71,785	26	19,904	-	5,035	8,873	872	5,976	90,827	416	26,257
Fund balances at beginning of year, as restated	51,436	695,589	236,285	3,871	10,122	198	6,091	74,221	16,654	32,716	95,889	20,497	1,243,569
Fund balances at end of year	<u>\$ 59,005</u>	<u>\$ 510,563</u>	<u>\$ 308,070</u>	<u>\$ 3,897</u>	<u>\$ 30,026</u>	<u>\$ 198</u>	<u>\$ 11,126</u>	<u>\$ 83,094</u>	<u>\$ 17,526</u>	<u>\$ 38,692</u>	<u>\$ 186,716</u>	<u>\$ 20,913</u>	<u>\$ 1,269,826</u>

SCHEDULE C
TOWN OF GILFORD, NEW HAMPSHIRE
Combining Statement of Fiduciary Net Position
Fiduciary Funds - All Agency Funds
December 31, 2015

	School Agency <u>Funds</u>	District Agency <u>Funds</u>	Escrow Agency <u>Fund</u>	Combining <u>Totals</u>
ASSETS				
Cash and cash equivalents	\$ 190,065	\$ 316,405	\$ 123,738	\$ 630,208
Total Assets	<u>\$ 190,065</u>	<u>\$ 316,405</u>	<u>\$ 123,738</u>	<u>\$ 630,208</u>
LIABILITIES				
Due to other governments	\$ 190,065	\$ 316,405		\$ 506,470
Deposits			\$ 86,391	86,391
Due to other funds			37,347	37,347
Total Liabilities	<u>\$ 190,065</u>	<u>\$ 316,405</u>	<u>\$ 123,738</u>	<u>\$ 630,208</u>