

**TOWN OF WARNER, NEW HAMPSHIRE**

**Financial Statements**

**December 31, 2016**

**and**

**Independent Auditor's Report**

**TOWN OF WARNER, NEW HAMPSHIRE  
FINANCIAL STATEMENTS  
December 31, 2016**

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FINANCIAL STATEMENTS  
December 31, 2016**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen  
Town of Warner, New Hampshire

### **Report on the Financial Statements**

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

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditor's Responsibility***

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

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

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

### ***Basis for Adverse Opinion on Governmental Activities***

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

### ***Adverse Opinion***

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on Governmental Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town of Warner, New Hampshire, as of December 31, 2016, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Town of Warner, New Hampshire, as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Warner, New Hampshire’s basic financial statements. The combining

nonmajor fund 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 fund 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 fund and fiduciary fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Nelson Chutkan & Company PC*

Manchester, New Hampshire  
December 18, 2017

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

The following is a discussion and analysis of the financial activities of the Town of Warner, New Hampshire for the year ending December 31, 2016. Readers are encouraged to consider the information presented here in conjunction with the Town's financial statements.

Responsibility for both the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly present the Town's financial position, and the result of operations of the various funds of the Town. All disclosures necessary to enable the reader to gain an accurate understanding of the Town's financial activities have been included.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

This report also contains supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to 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 (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources with the difference between the two 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. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future periods (such as uncollected taxes and interest on long-term obligations).

**Fund Financial Statements**

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

Governmental Funds: Most of the basic services provided by the Town are financed through governmental funds. Unlike the government-wide financial statements, the governmental fund financial statements report using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

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.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The Town's fiduciary funds include various private-purpose trust funds in addition to funds held for planning board and timber bond fees.

#### **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 the 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 Town's major governmental fund and includes a reconciliation between the reported activity of the revenues, expenditures and transfers for budgetary purposes (Schedule 1) and the activity as presented in the governmental fund financial statements (Exhibit D). The Town's only major governmental fund for 2016 with an adopted budget is the General Fund.

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 to the New Hampshire Retirement System.

#### **Other Supplementary Information**

Other supplementary information includes combining financial statements for non-major governmental funds and fiduciary funds.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

#### **Statement of Net Position**

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

	<u>2016</u>	<u>2015</u>
Current assets	\$ 4,814,565	\$ 4,194,369
Capital assets	<u>8,954,332</u>	<u>7,719,931</u>
Total assets	<u>13,768,897</u>	<u>11,914,300</u>
Deferred outflows of resources	<u>345,626</u>	<u>49,419</u>
Long-term liabilities	2,043,857	1,563,963
Other liabilities	<u>2,240,686</u>	<u>1,449,207</u>
Total liabilities	<u>4,284,543</u>	<u>3,013,170</u>
Deferred inflows of resources	<u>91,780</u>	<u>73,364</u>
Net position:		
Net investment in capital assets	8,474,072	7,453,809
Restricted	335,047	365,922
Unrestricted	<u>929,081</u>	<u>1,057,454</u>
Total net position	<u>\$ 9,738,200</u>	<u>\$ 8,877,185</u>

The largest portion of the Town's net position reflects its investment in capital assets such as land, buildings, and equipment less any related outstanding debt used to acquire those assets. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves generally cannot be used to liquidate these liabilities.

An additional portion of the Town's net position represents resources that are subject to external restrictions on how they may be used. For the Town of Warner, those restrictions include those related to non-expendable trust funds and the unexpended balance of restricted donations.

### Statement of Activities

The Town's net position increased by \$861,015 during the current year. Total revenues of \$4,305,037 exceeded expenses of \$3,444,022.

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

	<u>2016</u>	<u>2015</u>
Revenues		
Program revenues:		
Charges for services	\$ 98,608	\$ 98,337
Operating grants and contributions	174,937	136,087
Capital grants and contributions	701,576	244,022
General revenues:		
Property and other taxes	2,557,274	2,619,718
Licenses and permits	505,634	490,389
Grants and contributions	150,549	140,341
Interest and investment earnings	20,291	13,613
Miscellaneous	95,168	43,868
Contributions to permanent fund principal	<u>1,000</u>	<u>400</u>
Total revenues	<u>4,305,037</u>	<u>3,786,775</u>

	<u>2016</u>	<u>2015</u>
Expenses		
General government	794,578	880,080
Public safety	868,128	841,687
Highways and streets	1,223,689	973,037
Sanitation	259,074	223,201
Health and welfare	25,374	16,305
Culture and recreation	261,038	240,759
Conservation	1,669	6,616
Interest and fiscal charges	10,472	9,743
Total expenses	<u>3,444,022</u>	<u>3,191,428</u>
Change in net position	861,015	595,347
Net position, beginning of year	<u>8,877,185</u>	<u>8,281,838</u>
Net position, end of year	<u>\$ 9,738,200</u>	<u>\$ 8,877,185</u>

Property and other taxes brought in \$2,557,274 in revenues. Licenses and permits generated \$505,634 in revenues. Other revenues consisted of charges for services, grants, contributions, interest and investment earnings, and miscellaneous revenues. Total revenues recognized during the year ended December 31, 2016 increased from the previous year by \$518,262 or 13.69%.

The Town's expenses cover a range of services. The largest expenses were for highways and streets (35.53%), public safety (25.21%), and general government (23.07%), which accounted for 83.81% of total expenses. Total expenses recognized during the year ended December 31, 2016 increased from the previous year by \$252,594 or 7.91%.

### **FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

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

#### **Governmental Funds**

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

#### ***General Fund***

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had a total fund balance of \$1,903,681. A detail of the fund balance components at year end are detailed on page 26 of the Notes to the Basic Financial Statements.

The General Fund balance decreased \$168,145 from December 31, 2015. A decrease in fund balance was anticipated as the Town applied \$100,000 of its unassigned fund balance to reduce taxes and an additional \$95,755 was voted to be used from fund balance to offset approved appropriations at the 2016 annual Town meeting.

### *Nonmajor Governmental Funds*

The total fund balance of \$403,944 in the nonmajor governmental funds is designated for the purposes of the individually established fund. The largest portion of this total represents the balance in the Chandler Reservation Fund (\$146,356 or 36.23%), Conservation Commission Fund (\$137,422 or 34.02%), and the Permanent Funds (\$103,357 or 25.59%).

The total fund balance in the other governmental funds increased \$44,291 from December 31, 2015.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

Budgetary information for the major governmental fund (the General Fund) is included in the Required Supplementary Information section.

During the year, the original estimated revenues increased by \$41,200 as a result of unanticipated income accepted under RSA 31:95b. Actual revenues and other financing sources on the budgetary basis exceeded the budgeted amount by \$69,652 or 1.67%.

During the year, the original budgeted appropriations increased by \$85,200. This increase is the result of unanticipated income accepted under RSA 31:95b. The Town under expended its budget by \$58,251 or 1.32%. Demonstrating fiscal restraint, town officials were able to manage the town's business under budget. The key areas of savings resulted within general government and public safety. The budget for capital outlay was overexpended as a result of the Exit 9 project.

### **CAPITAL ASSET AND LONG-TERM OBLIGATIONS**

#### **Capital Assets**

The Town considers a capital asset to be an asset whose costs exceeds \$10,000 and has a useful life of greater than (1) year. Assets are depreciated using the straight-line method over the course of their useful life.

The Town's investment in capital assets for its governmental activities as of December 31, 2016 amounts to \$13,531,136. Accumulated depreciation amounts to \$4,576,804, leaving a net book value of \$8,954,332. This investment in capital assets includes equipment and real property. Significant additions to capital assets during 2016 include the purchase of land, the Exit 9 project, and the lease of a highway grader.

See Note 5 in the Notes to the Basic Financial Statements for a summary of all capital assets.

#### **Long-Term Obligations**

At December 31, 2016, the Town of Warner had an outstanding note payable on the fire truck for \$242,809 and a capital lease payable on the highway grader for \$237,451.

Long-term obligations at year end also include the Town's proportionate share of the net pension liability. As of December 31, 2016, the Town's net pension liability is \$1,531,946.

Additional information on the Town's long-term obligations can be found in Notes 7, 8 and 9 of the Notes to the Basic Financial Statements.

### **ECONOMIC CONDITIONS**

The Town is in stable financial condition with little long-term debt. The Board of Selectmen and Budget Committee have continued to cooperate to keep the town portion of the tax rate as level as possible while not impacting services. This has been done through a combination of responsible budgeting and utilizing surplus money to apply toward the tax rate. The Capital Improvement Plan Committee continues to update the Capital Improvements Plan (CIP) and forward that information to both the Selectmen and Budget Committee so that anticipated capital needs can be included in the budgetary process. The Selectmen's Office continues to investigate grant opportunities, etc., to assist the Selectmen in addressing critical infrastructure and other needed facilities improvements. This effort has yielded over \$82,000 in grant funds and State reimbursements for the town in 2016.

In 2016, the Board of Selectmen mitigated the contaminated soils at the Odd Fellows Building, a designated Brownsfield Site by NH Dept. of Environmental Services and negotiated a purchase and sales agreement with a local developer to place the building back into private ownership. The construction of the planned traffic roundabout near Exit 9 off I-89 was also completed by the end of 2016.

In 2017, the new State Liquor Store opened in the commercial district. The Town constructed a 100 Kw municipal solar array near the DPW facility, which will yield revenue to the Town from electric power generation and help contain energy costs. The Board of Selectmen hired an architect firm and a construction management firm to work with the Fire Station Building Committee to develop design and construction documents for a new fire station. Request for a long-term financing for construction will be presented to the voters at the 2018 town meeting.

The Economic Development Advisory Committee had presented to the Selectmen a proposed plan to further explore and implement viable strategies for economic development in town in order to strengthen the tax base and create local jobs, which the Select Board is reviewing.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all of Warner citizens, taxpayers, and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Town of Warner, Selectmen's Office, P.O. Box 265, Warner, NH 03278.

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

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 2,492,140
Investments	1,218,040
Taxes receivable, net	537,618
Accounts receivable	19,011
Due from other governments	<u>547,756</u>
Total Current Assets	<u>4,814,565</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	2,547,213
Depreciable capital assets, net	<u>6,407,119</u>
Total Noncurrent Assets	<u>8,954,332</u>
Total Assets	<u>13,768,897</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources attributable to net pension liability	<u>345,626</u>
Total Deferred Outflows of Resources	<u>345,626</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	472,165
Accrued expenses	57,025
Deposits	2,000
Due to other governments	1,619,960
Current portion of notes payable	24,142
Current portion of capital lease payable	37,407
Current portion of compensated absences	1,987
Current portion of estimated liability for landfill closure and postclosure care costs	<u>26,000</u>
Total Current Liabilities	<u>2,240,686</u>
Noncurrent Liabilities:	
Notes payable	218,667
Capital lease payable	200,044
Compensated absences	93,200
Net pension liability	<u>1,531,946</u>
Total Noncurrent Liabilities	<u>2,043,857</u>
Total Liabilities	<u>4,284,543</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources attributable to net pension liability	<u>91,780</u>
Total Deferred Inflows of Resources	<u>91,780</u>
NET POSITION	
Net investment in capital assets	8,474,072
Restricted	335,047
Unrestricted	<u>929,081</u>
Total Net Position	<u>\$ 9,738,200</u>

*See accompanying notes to the basic financial statements*

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

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
General government	\$ 794,578	\$ 13,392			\$ (781,186)
Public safety	868,128	11,371	\$ 4,015		(852,742)
Highways and streets	1,223,689		129,722	\$ 651,256	(442,711)
Sanitation	259,074	46,130	41,200		(171,744)
Health and welfare	25,374				(25,374)
Culture and recreation	261,038	14,739		50,320	(195,979)
Conservation	1,669	12,976			11,307
Interest and fiscal charges	10,472				(10,472)
Total governmental activities	<u>\$ 3,444,022</u>	<u>\$ 98,608</u>	<u>\$ 174,937</u>	<u>\$ 701,576</u>	<u>(2,468,901)</u>
General revenues:					
Property and other taxes					2,557,274
Licenses and permits					505,634
Grants and contributions:					
Rooms and meals tax distribution					148,406
State and federal forest land reimbursement					2,143
Interest and investment earnings					20,291
Miscellaneous					95,168
Contributions to permanent fund principal					<u>1,000</u>
Total general revenues and contributions to permanent fund principal					<u>3,329,916</u>
Change in net position					861,015
Net position - beginning					<u>8,877,185</u>
Net position - ending					<u>\$ 9,738,200</u>

See accompanying notes to the basic financial statements

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,318,248	\$ 173,892	\$ 2,492,140
Investments	987,988	230,052	1,218,040
Taxes receivable, net	537,618		537,618
Accounts receivable	22,213		22,213
Due from other governments	547,756		547,756
Due from other funds	-	12,976	12,976
Total Assets	<u>4,413,823</u>	<u>416,920</u>	<u>4,830,743</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 4,413,823</u>	<u>\$ 416,920</u>	<u>\$ 4,830,743</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 472,165		\$ 472,165
Accrued expenses	55,496		55,496
Deposits	2,000		2,000
Due to other governments	1,619,960		1,619,960
Due to other funds	3,202	\$ 12,976	16,178
Total Liabilities	<u>2,152,823</u>	<u>12,976</u>	<u>2,165,799</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Uncollected property taxes	357,319		357,319
Total Deferred Inflows of Resources	<u>357,319</u>	-	<u>357,319</u>
<b>FUND BALANCES</b>			
Nonspendable		84,907	84,907
Restricted	214,881	35,259	250,140
Committed	994,275	137,422	1,131,697
Assigned	241,635	146,356	387,991
Unassigned	452,890		452,890
Total Fund Balances	<u>1,903,681</u>	<u>403,944</u>	<u>2,307,625</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,413,823</u>	<u>\$ 416,920</u>	<u>\$ 4,830,743</u>

*See accompanying notes to the basic financial statements*

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

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 2,307,625
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.	8,954,332
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis	357,319
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	345,626
Deferred inflows of resources related to net pension liability	(91,780)
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:	
Notes payable	(242,809)
Capital lease payable	(237,451)
Accrued interest on long-term obligations	(1,529)
Compensated absences	(95,187)
Estimated liability for landfill closure and postclosure care costs	(26,000)
Net pension liability	<u>(1,531,946)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 9,738,200</u>

*See accompanying notes to the basic financial statements*

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

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Taxes	\$ 2,540,241	\$ 21,580	\$ 2,561,821
Licenses and permits	505,634		505,634
Intergovernmental	1,027,062		1,027,062
Charges for services	70,878		70,878
Interest and investment income	13,433	6,858	20,291
Miscellaneous	<u>107,907</u>	<u>15,991</u>	<u>123,898</u>
Total Revenues	<u>4,265,155</u>	<u>44,429</u>	<u>4,309,584</u>
Expenditures:			
Current operations:			
General government	740,985	1,647	742,632
Public safety	728,181		728,181
Highways and streets	1,048,375		1,048,375
Sanitation	237,275		237,275
Health and welfare	25,374		25,374
Culture and recreation	233,090	109	233,199
Conservation	623	1,046	1,669
Capital outlay	1,577,690	1,489	1,579,179
Debt service:			
Principal retirement	66,062		66,062
Interest and fiscal charges	<u>8,943</u>		<u>8,943</u>
Total Expenditures	<u>4,666,598</u>	<u>4,291</u>	<u>4,670,889</u>
Excess revenues over (under) expenditures	<u>(401,443)</u>	<u>40,138</u>	<u>(361,305)</u>
Other financing sources (uses):			
Capital lease proceeds	237,451		237,451
Transfers in	847	5,000	5,847
Transfers out	<u>(5,000)</u>	<u>(847)</u>	<u>(5,847)</u>
Total other financing sources (uses)	<u>233,298</u>	<u>4,153</u>	<u>237,451</u>
Net change in fund balances	(168,145)	44,291	(123,854)
Fund balances at beginning of year	<u>2,071,826</u>	<u>359,653</u>	<u>2,431,479</u>
Fund balances at end of year	<u>\$ 1,903,681</u>	<u>\$ 403,944</u>	<u>\$ 2,307,625</u>

*See accompanying notes to the basic financial statements*

EXHIBIT D-1  
**TOWN OF WARNER, NEW HAMPSHIRE**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
For the Year Ended December 31, 2016

Net Change in Fund Balances - Governmental Funds (Exhibit D) \$ (123,854)

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.	1,234,401
Property tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(4,547)
Proceeds from capital lease issuances are other financing sources in the funds, but capital lease issuances increase long-term liabilities in the statement of net position.	(237,451)
Repayment of principal on notes payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	23,313
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds. These expenses are from the following sources:	
Accrued interest on long-term obligations	(1,529)
Compensated absences	(17,745)
Estimated liability for landfill closure and postclosure care costs	27,958
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense reflects the change in the net pension liability and related deferred outflows and inflows of resources, and do not require the use of current financial resources. This is the amount by which pension expense exceeded pension contributions in the current period.	<u>(39,531)</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 861,015</u>

*See accompanying notes to the basic financial statements*

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

	Private- Purpose <u>Trust Funds</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 970	\$ 812
Investments	319,438	
Due from other funds	<u>3,202</u>	
Total Assets	<u>323,610</u>	<u>\$ 812</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	<u>-</u>	
LIABILITIES		
Deposits		<u>\$ 812</u>
Total Liabilities	<u>-</u>	<u>\$ 812</u>
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	<u>-</u>	
NET POSITION		
Held in trust	<u>323,610</u>	
Total Net Position	<u>\$ 323,610</u>	

*See accompanying notes to the basic financial statements*

EXHIBIT F  
**TOWN OF WARNER, NEW HAMPSHIRE**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
For the Year Ended December 31, 2016

	<u>Private- Purpose Trust Funds</u>
ADDITIONS:	
Contributions:	
Private donations	\$ 3,202
Interest	<u>218</u>
Total Contributions	<u>3,420</u>
Investment earnings:	
Interest	7,203
Realized gain on investments	1,082
Net increase in the fair value of investments	<u>5,131</u>
Total Investment Earnings	<u>13,416</u>
Total Additions	<u>16,836</u>
DEDUCTIONS:	
Benefits	4,126
Administrative expenses	<u>1,106</u>
Total Deductions	<u>5,232</u>
Change in Net Position	11,604
Net position - beginning of year	<u>312,006</u>
Net position - end of year	<u>\$ 323,610</u>

*See accompanying notes to the basic financial statements*

**TOWN OF WARNER, NEW HAMPSHIRE  
NOTES TO BASIC FINANCIAL STATEMENTS  
December 31, 2016**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Warner, 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 Warner, New Hampshire (the Town) was incorporated in 1774. 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 the 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

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

***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 major governmental fund:

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

**2. Fiduciary Funds:**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private purpose trust funds and agency funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town maintains thirteen private purpose trust funds which account for monies designated to benefit individuals within the Town. The Town's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Town's agency funds consist of planning board fees and timber bond funds.

***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

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

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

***Basis of Accounting***

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

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

**2. Expenses/Expenditures:**

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

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

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

***Budgetary Data***

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

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate.

***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.

***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 and intangible assets 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 \$10,000. The Town's infrastructure consists of roads, bridges, sidewalks, and similar items. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

All reported capital assets except for land, construction-in-progress and works of art are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Description</u>	<u>Years</u>
	Infrastructure	20-50
	Land improvements	15
	Buildings and improvements	15-50
	Vehicles and equipment	5-20

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

***Compensated Absences***

Pursuant to the Town's personnel policy, employees earn vacation dependent on length of service. Provision is made in the annual budget for vacation leave. Any unused vacation time shall expire on December 31<sup>st</sup> and may not be carried forward.

Pursuant to the personnel policy, full time employees may accumulate sick leave days at a rate of 4 hours per month. The maximum amount of days an employee can accumulate may not exceed 90 days. Upon separation from the Town, an employee will be reimbursed for up to 30 sick days only if a two-week notice has been given.

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 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.

***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 (a) assets and deferred outflows of resources and (b) 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.

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

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, the Town has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These 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 by the enabling legislation.
- ***Committed Fund Balance***: Amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision making authority (annual Town Meeting). Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. The governing body's actions must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.
- ***Assigned Fund Balance***: Amounts the Town intends to use for specific purposes. For all governmental funds other than the General Fund, any remaining positive amounts are to be classified as "assigned". The Selectmen expressly delegates this authority to the Town Administrator.
- ***Unassigned Fund Balance***: Amounts that are not obligated or specifically designated and are available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit balance of another governmental fund is also classified as unassigned.

***Spending Prioritizations***

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 classification can be used, committed amounts should be reduced first, followed by assigned amounts then unassigned amounts.

***Deficit Fund Balance***

Pursuant to the Town's policy at year end, if any of the special revenue funds has a deficit unassigned fund balance, the Town Administrator is authorized to transfer funds from the General Fund to cover the deficit, providing the General Fund has the resources to do so.

***Minimum Level of Unassigned Fund Balance***

As recommended by the New Hampshire Department of Revenue, the Town will strive to maintain an unassigned fund balance in its General Fund equal to 8-17% of the total annual appropriations of the community (which includes the Town, County, School District, and Precinct). The Board of Selectmen

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

have the authority to apply such amounts of the Town's beginning unassigned fund balance in order to balance the budget and to reduce the property tax rate as it deems appropriate. In applying these amounts, the Selectmen's goal is to maintain the remaining unassigned fund balance at 10% of the total annual appropriations of the community as defined above.

*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 did not implement 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 45 were required to be implemented by the Town during the year ended December 31, 2009.

**NOTE 3—DEPOSITS AND INVESTMENTS**

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

Statement of Net Position:	
Cash and cash equivalents	\$ 2,492,140
Investments	1,218,040
Statement of Fiduciary Net Position:	
Cash and cash equivalents	1,782
Investments	319,438
	<u>\$ 4,031,400</u>

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

Deposits with financial institutions	\$ 3,628,734
Investments	402,666
	<u>\$ 4,031,400</u>

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Town manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time.

The Town’s policy for governmental funds regarding interest rate risk states that the portfolio of invested assets should be based on the Town’s operating cash requirements. For cash requirements anticipated within the next 30 days, 100% of deposits and investments should be maintained in overnight liquid investments. For projected cash requirements between 30 to 90 days, 50% of these cash requirements should be kept in 30-day instruments, 35% in 60-day instruments, and 15% in 90-day instruments. For projected cash requirements between 90 to 180 days, 50% should be invested in 90-day instruments, 35% in 120-day instruments, and 15% in 180-day instruments. For projected cash requirements of more than 180 days up to one year, 75% should be invested in 180-day instruments, 15% in instruments up to 270 days, and 10% invested in instruments not exceeding one year in maturity.

The policy of the Library Trustees is to diversify its deposits and investments by financial institution, by investment instrument and by maturity scheduling. The policy of the Trustees of Trust Funds states that adequate cash and cash equivalents need to be kept available to meet the current withdrawal needs.

Information about the sensitivity of the fair values of the Town’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of investments by maturity:

<u>Investment Type</u>		<u>Remaining Maturity (in Years)</u>		
		<u>0-1 Years</u>	<u>1-5 Years</u>	<u>&gt; 5 Years</u>
U.S. Government agency bonds	\$ 103,361	\$ 20,321	\$ 67,609	\$ 15,431
Corporate bonds	107,036		20,604	86,432
Fixed income funds	58,766		5,409	53,357
	<u>\$ 269,163</u>	<u>\$ 20,321</u>	<u>\$ 93,622</u>	<u>\$ 155,220</u>

***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 governmental funds addresses credit risk by limiting investments to the safest types of securities. The Town limits its investments to money market accounts, repurchase agreements, the New Hampshire Public Deposit Investment Pool, and obligations fully guaranteed by the United States government. The policy of the Library Trustees indicates that approved investments are special time deposits, certificates of deposit, obligations of the United States of America, and obligations guaranteed by agencies of the United States. The policy of the Trustees of Trust Funds indicates that investments should be at least rated “A”. Investments of the trust funds may also be held in United States Government obligations or Federal Agency obligations.

The following is the actual rating as of year-end for each investment type.

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

	<u>Total</u>	<u>Aaa</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
U.S. Government agency bonds	\$ 103,361	\$ 103,361			
Corporate bonds	107,036		\$ 9,914	\$ 97,122	
Fixed income funds	58,766	42,658	4,840	11,268	
Money market mutual funds	21,605				\$ 21,605
	<u>\$ 290,768</u>	<u>\$ 146,019</u>	<u>\$ 14,754</u>	<u>\$ 108,390</u>	<u>\$ 21,605</u>

***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 to it. 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.

In accordance with the Town's investment policy for its governmental funds, all security transactions must be secured by collateral having a value at least equal to the amount of funds in excess of the FDIC deposit limits. Such collateral shall be segregated for the exclusive benefit of the Town and may consist of obligations of the United States government including Treasury Bills, Notes, Bonds, Government National Mortgage Association Securities, and debt obligations of Federal Agencies guaranteed by the United States government.

The Library Trustees have no policy regarding custodial credit risk. The policy of the Trustees of Trust Funds states that funds may be invested in FDIC insured banks. The Trustees have also acquired collateral to insure funds in excess of FDIC deposit limits. The investment policy of the Trustees of Trust Funds further specifies an asset allocation as follows: 80% fixed income and 20% equities. An asset allocation within a 3-4% range of these guidelines is deemed reasonable and acceptable.

Of the Town's deposits with financial institutions at year end, \$2,600,577 was collateralized by securities held by the bank in the bank's name and \$-0- was uninsured and uncollateralized.

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

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Government agency bonds	\$ 103,361
Corporate bonds	107,036
Fixed income funds	58,766
Money market mutual funds	21,605
Equity mutual funds	111,898
	<u>\$ 402,666</u>

***Fair Value***

The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

The Town has the following recurring fair value measurements as of December 31, 2016:

Description	Fair Value Measurements Using:		
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:			
U.S. Government agencies	\$ 103,361		\$ 103,361
Corporate bonds	107,036		107,036
Fixed income funds	58,766	\$ 58,766	
Equity mutual funds	111,898	111,898	
	<u>\$ 381,061</u>	<u>\$ 170,664</u>	<u>\$ 210,397</u>
			<u>\$ -</u>

**NOTE 4—TAXES RECEIVABLE**

Taxes levied during the current year and prior and uncollected at December 31, 2016 are recorded as receivables net of reserves for estimated uncollectibles of \$75,000.

**NOTE 5—CAPITAL ASSETS**

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

	Balance 01/01/16	Additions	Reductions	Balance 12/31/16
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 1,359,735	\$ 213,263		\$ 1,572,998
Construction in process	472,410	827,576	\$ (344,886)	955,100
Works of Art	19,115			19,115
Total capital assets not being depreciated	<u>1,851,260</u>	<u>1,040,839</u>	<u>(344,886)</u>	<u>2,547,213</u>
Other capital assets:				
Infrastructure	2,405,841	344,886		2,750,727
Land improvements	96,000			96,000
Buildings and improvements	4,387,157	132,705		4,519,862
Vehicles and equipment	3,418,796	388,144	(189,606)	3,617,334
Total other capital assets at historical cost	<u>10,307,794</u>	<u>865,735</u>	<u>(189,606)</u>	<u>10,983,923</u>
Less accumulated depreciation for:				
Infrastructure	(294,065)	(79,589)		(373,654)
Land improvements	(68,800)	(6,400)		(75,200)
Buildings and improvements	(1,739,054)	(83,730)		(1,822,784)
Vehicles and equipment	(2,337,204)	(157,568)	189,606	(2,305,166)
Total accumulated depreciation	<u>(4,439,123)</u>	<u>(327,287)</u>	<u>189,606</u>	<u>(4,576,804)</u>
Total other capital assets, net	<u>5,868,671</u>	<u>538,448</u>	<u>-</u>	<u>6,407,119</u>
Total capital assets, net	<u>\$ 7,719,931</u>	<u>\$ 1,579,287</u>	<u>\$ (344,886)</u>	<u>\$ 8,954,332</u>

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

Depreciation expense was charged to governmental functions as follows:

General government	\$ 20,090
Public safety	102,830
Highways and streets	185,432
Sanitation	7,856
Culture and recreation	11,079
Total governmental activities depreciation expense	<u>\$ 327,287</u>

The balance of the assets acquired through capital leases as of December 31, 2016 is as follows:

Vehicles and equipment	\$ 280,200
Less accumulated depreciation for:	
Vehicles and equipment	<u>(3,503)</u>
	<u>\$ 276,697</u>

**NOTE 6—INTERFUND BALANCES AND TRANSFERS**

During the year ended December 31, 2016, monies were deposited into the incorrect nonmajor governmental fund. In addition, excess funds were transferred to the General Fund that are to be reimbursed to the Fiduciary Funds. Interfund balances at December 31, 2016 are as follows:

	Due from		Totals
	General Fund	Nonmajor Governmental Funds	
Due to			
Nonmajor Governmental Funds		\$ 12,976	\$ 12,976
Fiduciary Funds	\$ 3,202		3,202
	<u>\$ 3,202</u>	<u>\$ 12,976</u>	<u>\$ 16,178</u>

During the year, several interfund transactions occurred between funds. The transfer into the General Fund of \$847 from the Permanent Funds (a nonmajor governmental fund) was made to distribute the earned income during the year to support the Town's programs. The transfer from the General Fund to the Conservation Commission Fund (a nonmajor governmental fund) was an authorized budgetary transfer. Transfers during the year ended December 31, 2016 are as follows:

	Transfer from		Totals
	General Fund	Nonmajor Governmental Funds	
Transfer to			
General Fund		\$ 847	\$ 847
Nonmajor Governmental Funds	\$ 5,000		5,000
	<u>\$ 5,000</u>	<u>\$ 847</u>	<u>\$ 5,847</u>

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

**NOTE 7—LONG-TERM OBLIGATIONS**

*Changes in Long-Term Obligations*

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

	Balance 01/01/16	Additions	Reductions	Balance 12/31/16	Due Within One Year
Governmental activities:					
Notes payable	\$ 266,122		\$ (23,313)	\$ 242,809	\$ 24,142
Capital lease payable		\$ 237,451		237,451	37,407
Compensated absences	77,442	19,056	(1,311)	95,187	1,987
Total governmental activities	<u>\$ 343,564</u>	<u>\$ 256,507</u>	<u>\$ (24,624)</u>	<u>\$ 575,447</u>	<u>\$ 63,536</u>

Payments on the notes payable are paid out of the General Fund. Compensated absences will be paid from the fund the employee’s salary is paid.

*Notes Payable*

Notes payable at December 31, 2016 are comprised of the following individual issue:

\$376,000 Fire Truck Note payable in monthly installments of \$2,688, including interest at 3.50%, through September 2025	<u>\$ 242,809</u>
---	-------------------

Debt service requirements to retire notes payable outstanding at December 31, 2016 are as follows:

Year Ending December 31	Principal	Interest	Totals
2017	\$ 24,142	\$ 8,114	\$ 32,256
2018	25,001	7,255	32,256
2019	25,890	6,366	32,256
2020	26,811	5,445	32,256
2021	27,764	4,492	32,256
2022-2025	113,201	7,756	120,957
	<u>\$ 242,809</u>	<u>\$ 39,428</u>	<u>\$ 282,237</u>

*Capital Lease Payable*

The capital lease payable represents a lease agreement entered into for the financing of equipment. This contract is subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function. Following is the individual capital lease obligation at December 31, 2016:

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

Highway motor grader payable in annual installments of \$42,749, including interest at 2.25%, through September 2022 with a final payment of \$1 in September 2023 \$ 237,451

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

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 37,407	\$ 5,342	\$ 42,749
2018	38,248	4,501	42,749
2019	39,109	3,640	42,749
2020	39,989	2,760	42,749
2021	40,889	1,860	42,749
2022-2023	<u>41,809</u>	<u>941</u>	<u>42,750</u>
	<u>\$ 237,451</u>	<u>\$ 19,044</u>	<u>\$ 256,495</u>

**NOTE 8—LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS**

During 1998, the sanitary landfill previously operated under an intergovernmental agreement with the Town of Hopkinton was closed. The Town of Warner is responsible for annual payments to the Town of Hopkinton based on twenty percent of the annual bond payment for the landfill closure. Estimated postclosure, inspection, maintenance and monitoring costs are \$5,406 for the year 2017. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. An estimated liability of \$26,000 has been recorded in the Statement of Net Position based on the Town's share of the bond payments and the estimated future postclosure care costs at current dollars.

The following is a summary of changes in the estimated liability for closure and postclosure care cost for the year ended December 31, 2016:

Balance - January 1, 2016	\$ 53,958
Expenditures recognized in General Fund	(23,806)
Net change in estimated liability for postclosure care costs	<u>(4,152)</u>
Balance - December 31, 2016	<u>\$ 26,000</u>

**NOTE 9—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 cost-sharing multiple-employer defined benefit pension plan. The plan provides service, disability, death and vested retirement

**TOWN OF WARNER, NEW HAMPSHIRE  
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
 December 31, 2016**

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, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan.

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

***Benefits Provided***

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

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

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

Members 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.

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

***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 pension contribution rates for the covered payroll of police officers, fire employees, and general employees were 22.54%, 25.32%, and 10.86%, respectively. The Town contributes 100% of the employer cost for police officers, fire employees, 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 were \$110,727 for the year ending December 31, 2016.

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

At December 31, 2016, the Town reported a liability of \$1,531,946 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2015. The Town's proportion of the net pension liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2016, the Town's proportion was approximately 0.0288 percent, which was a decrease of 0.0019 percentage points from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Town recognized pension expense of \$150,260. At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 4,257	\$ 19,345
Net difference between projected and actual earnings on pension plan investments	95,846	
Changes of assumptions	188,534	
Changes in proportion and differences between Town contributions and share of contributions		72,435
Town contributions subsequent to the measurement date	<u>56,989</u>	
Totals	<u>\$ 345,626</u>	<u>\$ 91,780</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$253,846. The Town reported \$56,989 as deferred outflows of resources related to pension resulting from Town contributions

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Period Ending June 30,	
2017	\$ 34,127
2018	34,127
2019	69,596
2020	56,630
2021	2,377
	<u>\$ 196,857</u>

***Actuarial Assumptions***

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

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

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

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

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

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

***Discount Rate***

The discount rate used to measure the collective pension liability was 7.25%, which is a decrease of .50% from the discount rate used for the prior measurement period of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer contributions are projected based on the expected payroll of current members only. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments 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 7.25 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease <u>(6.25%)</u>	Discount rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Town's proportionate share of the net pension liability	\$ 1,968,446	\$ 1,531,946	\$ 1,169,938

**NOTE 10—PROPERTY TAXES**

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$282,748,035 as of April 1, 2016) and are due in two installments on July 1, 2016 and December 1, 2016. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

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

In accordance with State law, the Town collects taxes for the Kearsarge Regional School District, Merrimack County, and Warner 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 \$4,441,792, \$762,526, and \$107,125 for the Kearsarge Regional School District, Merrimack County, and Warner Village Water District, respectively. These taxes are not recognized as revenues in these financial statements. At December 31, 2016, the balance of the property tax appropriation due to the Kearsarge Regional School District is \$1,619,960. The Town bears responsibility for uncollected taxes.

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

**NOTE 11—RESTRICTED NET POSITION**

Net position is restricted for specific purposes as follows:

Permanent Funds - Principal	\$ 84,907
Permanent Funds - Income	18,450
Library	214,881
Beautification Fund	4,960
North Road Town Forest	8,437
Rosa Valpey Memorial Fund	3,412
	<u>\$ 335,047</u>

**NOTE 12—COMPONENTS OF FUND BALANCE**

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>			
Permanent funds - Principal		\$ 84,907	\$ 84,907
<b>Restricted for:</b>			
Permanent funds - Income		18,450	18,450
Library	\$ 214,881		214,881
Beautification fund		4,960	4,960
North Road Town Forest		8,437	8,437
Rosa Valpey Memorial		3,412	3,412
<b>Committed for:</b>			
Conservation		137,422	137,422
Expendable trusts	59,648		59,648
Capital reserves	934,627		934,627
<b>Assigned for:</b>			
Chandler reservation		146,356	146,356
Subsequent year's expenditures	111,987		111,987
Designated to offset subsequent year's tax rate	100,000		100,000
Encumbrances	25,740		25,740
Hazardous materials	3,908		3,908
<b>Unassigned:</b>			
Unassigned - General operations	452,890		452,890
	<u>\$ 1,903,681</u>	<u>\$ 403,944</u>	<u>\$ 2,307,625</u>

**NOTE 13—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, 2016, the Town participated in a public entity risk pool (Trust) for property and liability

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**December 31, 2016**

insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

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

***Property and Liability Insurance***

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

***Worker's Compensation***

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

**NOTE 14—CONTINGENCIES**

The Town's management estimates that 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 15—SUBSEQUENT EVENTS**

***Debt Authorization***

Per Article #5 at the March 2017 annual meeting, the Town authorized the issuance of bonds or notes in the amount of \$273,595 for the construction of a solar array panel on town land near the transfer station.

***Loan Issuance***

During May 2017, the Town entered into a loan agreement to borrow \$273,595. This loan has an interest rate of 2.00% and matures on August 25, 2029.

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 2,461,612	\$ 2,461,612	\$ 2,535,694	\$ 74,082
Licenses and permits	511,380	511,380	505,634	(5,746)
Intergovernmental	904,651	945,851	976,742	30,891
Charges for services	121,000	121,000	70,878	(50,122)
Interest income	3,001	3,001	4,751	1,750
Miscellaneous	86,400	86,400	95,168	8,768
Total Revenues	<u>4,088,044</u>	<u>4,129,244</u>	<u>4,188,867</u>	<u>59,623</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	782,849	782,849	729,867	52,982
Public safety	747,643	747,643	723,946	23,697
Highways and streets	970,570	970,570	964,775	5,795
Sanitation	252,840	252,840	237,150	15,690
Health and welfare	22,413	22,413	25,374	(2,961)
Culture and recreation	173,386	175,802	176,182	(380)
Conservation	870	870	623	247
Capital outlay	735,000	820,200	857,020	(36,820)
<b>Debt service:</b>				
Principal retirement	66,063	66,063	66,062	1
Interest and fiscal charges	8,943	8,943	8,943	-
Total Expenditures	<u>3,760,577</u>	<u>3,848,193</u>	<u>3,789,942</u>	<u>58,251</u>
Excess revenues over expenditures	<u>327,467</u>	<u>281,051</u>	<u>398,925</u>	<u>117,874</u>
<b>Other financing sources (uses):</b>				
Transfers in	45,000	45,000	55,029	10,029
Transfers out	<u>(568,222)</u>	<u>(565,806)</u>	<u>(565,806)</u>	<u>-</u>
Total other financing sources (uses)	<u>(523,222)</u>	<u>(520,806)</u>	<u>(510,777)</u>	<u>10,029</u>
Net change in fund balances	(195,755)	(239,755)	(111,852)	127,903
<b>Fund balance at beginning of year</b>				
- Budgetary Basis	<u>1,134,048</u>	<u>1,134,048</u>	<u>1,134,048</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 938,293</u>	<u>\$ 894,293</u>	<u>\$ 1,022,196</u>	<u>\$ 127,903</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

**TOWN OF WARNER, NEW HAMPSHIRE**

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

For the Year Ended December 31, 2016

	For the Measurement Period Ended June 30:			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Town's proportion of the net pension liability (asset)	0.0288%	0.0307%	0.0308%	0.0311%
Town's proportionate share of the net pension liability (asset)	\$ 1,531,946	\$ 1,216,754	\$ 1,157,193	\$ 1,339,339
Town's covered-employee payroll	\$ 735,765	\$ 755,488	\$ 705,113	\$ 704,435
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	208.21%	161.06%	164.11%	190.13%
Plan fiduciary net position as a percentage of the total pension liability	58.30%	65.47%	66.32%	59.81%

*See accompanying notes to the required supplementary information*

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 110,727	\$ 102,822	\$ 101,050	\$ 88,183
Contributions in relation to the contractually required contribution	<u>(110,727)</u>	<u>(102,822)</u>	<u>(101,050)</u>	<u>(88,183)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 791,044	\$ 738,748	\$ 726,974	\$ 701,080
Contributions as a percentage of covered-employee payroll	14.00%	13.92%	13.90%	12.58%

*See accompanying notes to the required supplementary information*

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**December 31, 2016**

**NOTE 1—BUDGET TO ACTUAL RECONCILIATION**

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

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 4,535,671	\$ 4,703,816
Difference in property taxes meeting susceptible to accrual criteria	(4,547)	
Encumbrances, December 31, 2016		25,740
Encumbrances, December 31, 2015		(122,538)
Capital lease activity	(237,451)	(237,451)
Non-budgetary activity	(104,783)	(574,625)
Budgetary transfers	<u>55,006</u>	<u>560,806</u>
Per Schedule 1	<u>\$ 4,243,896</u>	<u>\$ 4,355,748</u>

**NOTE 2—BUDGETARY FUND BALANCE**

The components of the budgetary fund balance for the General Fund are as follows:

<i>Assigned for:</i>	
Subsequent year's expenditures	\$ 111,987
Designated to offset subsequent year's tax rate	100,000
<i>Unassigned:</i>	
Unassigned - General operations	<u>810,209</u>
	<u>\$ 1,022,196</u>

**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

**TOWN OF WARNER, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**December 31, 2016**

readily available. Additional disclosures will be made in future years as the information becomes available.

**NOTE 4—CHANGES OF ACTUARIAL ASSUMPTIONS**

For the June 30, 2015 actuarial valuation, the New Hampshire Retirement System included changes in the valuation and economic assumptions previously used in the June 30, 2014 actuarial valuation. The investment rate of return was reduced from 7.75% to 7.25%. The price inflation was decreased from 3.0% to 2.5%. The wage inflation was decreased from 3.75% to 3.25%. The salary increases were decreased from 5.8% to 5.6%. In addition, the expectation of retired life mortality was based on RP-2000 Mortality Tables. Amounts reported in the June 30, 2015 actuarial valuation are based on the RP-2014 employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP-2015.

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

	Special Revenue Funds	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 173,892		\$ 173,892
Investments	126,695	\$ 103,357	230,052
Due from other funds	12,976		12,976
Total Assets	<u>313,563</u>	<u>103,357</u>	<u>416,920</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 313,563</u>	<u>\$ 103,357</u>	<u>\$ 416,920</u>
LIABILITIES			
Due to other funds	\$ 12,976		\$ 12,976
Total Liabilities	<u>12,976</u>	<u>\$ -</u>	<u>12,976</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	-	-	-
FUND BALANCES			
Nonspendable		84,907	84,907
Restricted	16,809	18,450	35,259
Committed	137,422		137,422
Assigned	146,356		146,356
Total Fund Balances	<u>300,587</u>	<u>103,357</u>	<u>403,944</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 313,563</u>	<u>\$ 103,357</u>	<u>\$ 416,920</u>

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

	Beautification Fund	Chandler Reservation Fund	Conservation Commission Fund	North Road Town Forest Fund	Rosa Valpey Memorial Fund	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 4,960	\$ 10,097	\$ 150,398	\$ 8,437		\$ 173,892
Investments		123,283			\$ 3,412	126,695
Due from other funds		12,976				12,976
Total Assets	<u>4,960</u>	<u>146,356</u>	<u>150,398</u>	<u>8,437</u>	<u>3,412</u>	<u>313,563</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,960</u>	<u>\$ 146,356</u>	<u>\$ 150,398</u>	<u>\$ 8,437</u>	<u>\$ 3,412</u>	<u>\$ 313,563</u>
<b>LIABILITIES</b>						
Due to other funds			\$ 12,976			\$ 12,976
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>12,976</u>	<u>\$ -</u>	<u>\$ -</u>	<u>12,976</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>						
Restricted	4,960			8,437	3,412	16,809
Committed			137,422			137,422
Assigned		146,356				146,356
Total Fund Balances	<u>4,960</u>	<u>146,356</u>	<u>137,422</u>	<u>8,437</u>	<u>3,412</u>	<u>300,587</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,960</u>	<u>\$ 146,356</u>	<u>\$ 150,398</u>	<u>\$ 8,437</u>	<u>\$ 3,412</u>	<u>\$ 313,563</u>

SCHEDULE B  
**TOWN OF WARNER, NEW HAMPSHIRE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds - All Nonmajor Funds**  
For the Year Ended December 31, 2016

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues:			
Taxes	\$ 21,580		\$ 21,580
Interest and investment income	895	\$ 5,963	6,858
Miscellaneous	14,991	1,000	15,991
Total Revenues	<u>37,466</u>	<u>6,963</u>	<u>44,429</u>
Expenditures:			
Current operations:			
General government		1,647	1,647
Culture and recreation	109		109
Conservation	1,046		1,046
Capital outlay	1,489		1,489
Total Expenditures	<u>2,644</u>	<u>1,647</u>	<u>4,291</u>
Excess revenues over expenditures	<u>34,822</u>	<u>5,316</u>	<u>40,138</u>
Other financing sources (uses):			
Transfers in	5,000		5,000
Transfers out		(847)	(847)
Total other financing sources (uses)	<u>5,000</u>	<u>(847)</u>	<u>4,153</u>
Net change in fund balances	39,822	4,469	44,291
Fund balances at beginning of year	<u>260,765</u>	<u>98,888</u>	<u>359,653</u>
Fund balances at end of year	<u>\$ 300,587</u>	<u>\$ 103,357</u>	<u>\$ 403,944</u>

SCHEDULE B-1  
**TOWN OF WARNER, NEW HAMPSHIRE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds - All Nonmajor Special Revenue Funds**  
For the Year Ended December 31, 2016

	Beautification Fund	Chandler Reservation Fund	Conservation Commission Fund	North Road Town Forest Fund	Rosa Valpey Memorial Fund	Total Nonmajor Special Revenue Funds
Revenues:						
Taxes			\$ 21,580			\$ 21,580
Interest and investment income	\$ 4	\$ 728	148	\$ 5	\$ 10	895
Miscellaneous	2,000	12,976			15	14,991
Total Revenues	2,004	13,704	21,728	5	25	37,466
Expenditures:						
Current operations:						
Culture and recreation	109					109
Conservation		458		588		1,046
Capital outlay					1,489	1,489
Total Expenditures	109	458	-	588	1,489	2,644
Excess revenues over (under) expenditures	1,895	13,246	21,728	(583)	(1,464)	34,822
Other financing sources:						
Transfers in			5,000			5,000
Total other financing sources	-	-	5,000	-	-	5,000
Net change in fund balances	1,895	13,246	26,728	(583)	(1,464)	39,822
Fund balances at beginning of year	3,065	133,110	110,694	9,020	4,876	260,765
Fund balances at end of year	\$ 4,960	\$ 146,356	\$ 137,422	\$ 8,437	\$ 3,412	\$ 300,587

SCHEDULE C  
**TOWN OF WARNER, NEW HAMPSHIRE**  
**Combining Statement of Fiduciary Net Position**  
**Fiduciary Funds - All Private-Purpose Trust Funds**  
December 31, 2016

	Miscellaneous Trust <u>Funds</u>	Foster and Currier <u>Funds</u>	Total Private- Purpose Trust <u>Funds</u>
ASSETS			
Cash and cash equivalents		\$ 970	\$ 970
Investments	\$ 309,418	10,020	319,438
Due from other funds	3,202		3,202
Total Assets	<u>312,620</u>	<u>10,990</u>	<u>323,610</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Due to other funds			-
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Held in trust	312,620	10,990	323,610
Total Net Position	<u>\$ 312,620</u>	<u>\$ 10,990</u>	<u>\$ 323,610</u>

SCHEDULE D  
**TOWN OF WARNER, NEW HAMPSHIRE**  
**Combining Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds - All Private-Purpose Trust Funds**  
For the Year Ended December 31, 2016

	Miscellaneous Trust <u>Funds</u>	Foster and Currier <u>Funds</u>	Total Private- Purpose Trust <u>Funds</u>
ADDITIONS:			
Contributions:			
Private donations	\$ 3,202		\$ 3,202
Interest		\$ 218	218
Total Contributions	<u>3,202</u>	<u>218</u>	<u>3,420</u>
Investment earnings:			
Interest	7,167	36	7,203
Realized gains on investments	1,082		1,082
Net increase in the fair value of investments	<u>5,131</u>		<u>5,131</u>
Total Investment Earnings	<u>13,380</u>	<u>36</u>	<u>13,416</u>
Total Additions	<u>16,582</u>	<u>254</u>	<u>16,836</u>
DEDUCTIONS:			
Benefits	2,892	1,234	4,126
Administrative expenses	<u>1,106</u>		<u>1,106</u>
Total Deductions	<u>3,998</u>	<u>1,234</u>	<u>5,232</u>
Change in Net Position	12,584	(980)	11,604
Net position - beginning of year	<u>300,036</u>	<u>11,970</u>	<u>312,006</u>
Net position - end of year	<u>\$ 312,620</u>	<u>\$ 10,990</u>	<u>\$ 323,610</u>

SCHEDULE E  
**TOWN OF WARNER, NEW HAMPSHIRE**  
**Combining Statement of Fiduciary Net Position**  
**Fiduciary Funds - All Agency Funds**  
December 31, 2016

	Planning Board Agency Fund	Timber Bond Agency Fund	Total Agency Funds
ASSETS			
Cash and cash equivalents	\$ 273	\$ 539	\$ 812
Total assets	<u>\$ 273</u>	<u>\$ 539</u>	<u>\$ 812</u>
LIABILITIES			
Deposits	\$ 273	\$ 539	\$ 812
Total liabilities	<u>\$ 273</u>	<u>\$ 539</u>	<u>\$ 812</u>