

TOWN OF WEARE, NEW HAMPSHIRE

Financial Statements

December 31, 2016

and

Independent Auditor's Report

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Weare, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Weare, New Hampshire 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 Weare, 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 each major fund and the aggregate remaining fund information of the Town of Weare, 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-vii 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 Weare, New Hampshire's basic financial statements. The combining nonmajor governmental and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Wachon Clukey & Company PC

Manchester, New Hampshire
October 17, 2017

**TOWN OF WEARE, 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 Weare, 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

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 the deferred inflows of resources with the difference between these 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 earned but unused vacation leave).

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

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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2016**

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.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances for the General Fund, Permanent Funds, and the DPW Garage Capital Projects Fund, as these are the Town's major funds.

The Town adopts an annual appropriation budget for its governmental funds. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget.

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 private-purpose trust funds and capital reserve funds of the Weare School District.

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 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 the nonmajor governmental funds and fiduciary funds.

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

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

	<u>2016</u>	<u>2015</u>
Current and other assets:		
Capital assets, net	\$ 14,562,702	\$ 14,386,191
Other assets	<u>11,725,536</u>	<u>10,726,321</u>
Total assets	<u>26,288,238</u>	<u>25,112,512</u>
Deferred outflows of resources	<u>855,149</u>	<u>122,843</u>
Long term and other liabilities:		
General obligation bonds payable	1,224,000	70,000
Capital lease payable	334,626	243,806
Compensated absences	38,932	40,177
Net pension liability	3,916,777	2,949,906
Other liabilities	<u>5,913,485</u>	<u>6,187,546</u>
Total liabilities	<u>11,427,820</u>	<u>9,491,435</u>
Deferred inflows of resources	<u>261,180</u>	<u>399,375</u>
Net position:		
Net investment in capital assets	14,206,255	14,072,385
Restricted	2,506,566	2,405,281
Unrestricted	<u>(1,123,654)</u>	<u>(1,133,121)</u>
Total net position	<u>\$ 15,589,167</u>	<u>\$ 15,344,545</u>

The largest portion of the Town's net position reflects its investment in capital assets such as land, buildings, equipment, and infrastructure, 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 assets represents resources that are subject to external restrictions on how they may be used. For the Town of Weare, those restrictions include those related to non-expendable trust funds and unexpended donations.

Statement of Activities

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

**TOWN OF WEARE, NEW HAMPSHIRE
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YEAR ENDING DECEMBER 31, 2016**

	<u>2016</u>	<u>2015</u>
Program revenues:		
Charges for services	\$ 441,405	\$ 542,065
Operating grants and contributions	427,175	430,842
Capital grants and contributions	<u>-</u>	<u>816,101</u>
Total program revenues	<u>868,580</u>	<u>1,789,008</u>
General revenues:		
Property and other taxes	3,222,666	2,921,208
Licenses and permits	1,862,405	1,746,270
Intergovernmental revenue	455,904	428,168
Interest and investment earnings	161,901	29,357
Miscellaneous	1,358	105,728
Gain on disposal of capital assets	<u>27,667</u>	<u>-</u>
Total general revenues and gain on disposal of capital assets	<u>5,731,901</u>	<u>5,230,731</u>
Total revenues	<u>6,600,481</u>	<u>7,019,739</u>
Program expenses:		
General government	1,564,849	1,560,771
Public safety	2,071,152	2,045,083
Highways and streets	1,874,000	1,947,085
Sanitation	464,961	473,836
Water distribution and treatment	707	1,797
Health and welfare	59,163	34,252
Culture and recreation	286,825	325,585
Conservation	14,905	-
Interest and fiscal charges	<u>19,297</u>	<u>6,661</u>
Total expenses	<u>6,355,859</u>	<u>6,395,070</u>
Change in net position	244,622	624,669
Net position - beginning of year	<u>15,344,545</u>	<u>14,719,876</u>
Net position - ending of year	<u>\$ 15,589,167</u>	<u>\$ 15,344,545</u>

The Town's net position increased \$244,622 during the current year. Total revenue of \$6,600,481 exceeded expenses of \$6,355,859.

Property and other taxes and licenses and permits represent the largest sources of income for the Town and together brought in \$5,085,071 of revenues compared to \$4,667,478 during 2015. This represents an increase of 8.95%. The capital grants and contributions decreased by \$816,101. This decrease is due to the completion of the Bridge project in the prior year which was funded 80% from state bridge aid. Other revenues consisted of charges for services, operating grants and contributions, interest and investment earnings, and miscellaneous revenues. Total revenues recognized during the year ended December 31, 2016 decreased from the previous year by \$419,258 or (5.97%).

**TOWN OF WEARE, NEW HAMPSHIRE
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The Town's expenses cover a range of services. The largest expenses were for public safety (32.59%), highways and streets (29.48%), and general government (24.62%) which accounted for 86.69% of total expenses. Total expenses recognized during the year ended December 31, 2016 decreased from the previous year by \$39,211 or (0.61%).

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 fund balance of \$1,247,282. In accordance with GASB Statement #54, this fund balance incorporates the Library Fund and the various Expendable Trust Funds which amount to \$372,554 as of December 31, 2016. The overall fund balance of the General Fund increased \$345,216 from December 31, 2015.

A decrease in the fund balance was anticipated. At tax rate setting, the Town applied \$100,000 of the unassigned fund balance to reduce the tax rate.

Permanent Funds

Permanent funds account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the Town's programs. At December 31, 2016, the balance of \$1,009,851 was nonspendable and the unexpended income balance of \$232,061 was restricted. The overall fund balance increased by \$676 during 2016.

DPW Garage Fund

As authorized at the March 2016 annual Town meeting, the Town issued \$1,360,000 in general obligation bonds for the purpose of constructing a new public works facility. Designs for the project commenced during the fall. The unexpended balance of the bonds as of December 31, 2016 is \$1,359,118.

Other Governmental Funds

The total fund balance of \$1,380,004 in the other governmental funds is earmarked for the purposes of the individually established fund. The largest portion of this total represents the

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MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2016**

balance in the Eastman Trust Fund (\$904,983 or 65.6%), the Town Forest (\$152,205 or 11.0%), and the Conservation Commission Fund (\$135,821 or 9.8%).

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Actual revenues and other financing sources on the budgetary basis were less than the budgeted amount by \$120,692. Transfers in from other funds were less than the estimated revenue amount by \$162,468 resulting from an incorrect budgetary revenue adjustment prior to the setting of the tax rate.

The Town under expended its budget by \$207,804. Demonstrating fiscal restraint, town officials were able to manage some of the town's business under budget. The key areas of savings resulted in the following functions: public safety, highways and streets, sanitation, and general government. These areas of savings helped offset over the expended budget within health and welfare.

CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital Assets

The Town considers a capital asset to be an asset whose costs exceeds \$5,000 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 \$23,111,873. Accumulated depreciation amounts to \$8,549,171, leaving a net book value of \$14,562,702. This investment in capital assets includes land, infrastructure, buildings and improvements, and vehicles and equipment. See Note 4 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 Weare had total outstanding bonded debt of \$1,224,000. General obligation bonds of \$1,360,000 were issued during 2016.

The Town also has outstanding capital lease obligations of \$334,626 as of December 31, 2016. An ambulance was acquired during 2016 and was financed by a capital lease.

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 \$3,916,777.

Additional information on the Town's long-term obligations can be found in Notes 5 and 6 in the Notes to the Basic Financial Statements.

**TOWN OF WEARE, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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ECONOMIC CONDITIONS

The Town is in good financial condition. In 2016, the Town retired the 10-year land acquisition Bond for the Ferrante Land and acquired a new 10-year Bond for the purchase and erection of a new highway garage. There is a continued need for improvements to both the Old Town Hall and the Town Office Buildings. The Town of Weare has reviewed and updated its Capital Improvement Plan (CIP) to accommodate and anticipate the needs of the community and its operation based on continued growth. The tax rate for 2016 was \$22.37 compared to \$22.21 for the tax year 2015. The total assessed value on which the tax rate was computed for 2016 was \$856,851,321. The Town underwent a revaluation of properties in 2016.

Several factors were taken into consideration as Town officials developed the budget for the 2016 fiscal year. Those factors included both property tax burden and prudent decisions with regard to the Town's infrastructure. The proposed operating budget passed at Town Meeting. The Department of Public Works was approved for the purchase of a new wheel loader but failed to receive permission to purchase a skid steer for the Transfer Station. The Fire Department was approved to move the wages and related costs of the part time personnel that cover the Fire Station during the days into the operating budget. They were also approved to purchase a replacement vehicle for the forestry division and enter into a 3 year-lease for the purchase of an ambulance that will be paid from the Fire Department Replacement Vehicle Special Revenue Fund. A new set of extraction tools (Jaws of Life) were also approved for purchase. The Parks and Recreation Commission were approved to renovate the bathrooms at Chase Park to be ADA compliant, seal coat and stripe the parking lot and to develop a Beach Storm Water Management to fix the erosion. The non-union raises, fireworks, Household Hazardous Waste Day and funding to the Government Building Capital Reserve Fund were also approved. Unfortunately, there were other articles that were rejected: the addition of three additional full time Police Officers, the purchase of five (5) new Police Cruisers, improvements to Bolton Memorial Park, and additional staff at the Public Library. Weare remains a residential community.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all of Weare 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 Weare, Selectmen's Office, 15 Flanders Memorial Road, Weare, NH 03281.

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

	Governmental <u>Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 7,896,065
Investments	2,357,781
Taxes receivable, net	1,238,603
Accounts receivable, net	54,013
Due from other governments	1,174
Tax deeded property	177,900
Total Current Assets	<u>11,725,536</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	7,205,496
Depreciable capital assets, net	7,357,206
Total Noncurrent Assets	<u>14,562,702</u>
Total Assets	<u>26,288,238</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to pension	855,149
Total Deferred Outflows of Resources	<u>855,149</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	162,855
Accrued expenses	258,279
Due to other governments	5,357,571
Current portion of capital leases payable	134,780
Total Current Liabilities	<u>5,913,485</u>
Noncurrent Liabilities:	
Bonds payable	1,224,000
Capital leases payable	199,846
Compensated absences	38,932
Net pension liability	3,916,777
Total Noncurrent Liabilities	<u>5,379,555</u>
Total Liabilities	<u>11,293,040</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pension	261,180
Total Deferred Inflows of Resources	<u>261,180</u>
NET POSITION	
Net investment in capital assets	14,206,255
Restricted	2,506,566
Unrestricted (deficit)	(1,123,654)
Total Net Position	<u>\$ 15,589,167</u>

See accompanying notes to the basic financial statements

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

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
General government	\$ 1,564,849	\$ 113,266		\$ (1,451,583)
Public safety	2,071,152	161,832	\$ 49,960	(1,859,360)
Highways and streets	1,874,000		339,429	(1,534,571)
Sanitation	464,961	145,627		(319,334)
Water distribution and treatment	707			(707)
Health and welfare	59,163	1,213		(57,950)
Culture and recreation	286,825	19,467	26,279	(241,079)
Conservation	14,905		11,507	(3,398)
Interest and fiscal charges	19,297			(19,297)
Total governmental activities	<u>\$ 6,355,859</u>	<u>\$ 441,405</u>	<u>\$ 427,175</u>	<u>(5,487,279)</u>
General revenues:				
Property and other taxes				3,222,666
Licenses and permits				1,862,405
Grants and contributions:				
Rooms and meals tax distribution				455,613
State and federal forest land reimbursement				291
Interest and investment earnings				161,901
Miscellaneous				1,358
Gain on disposal of capital assets				<u>27,667</u>
Total general revenues and gain on disposal of capital assets				<u>5,731,901</u>
Change in net position				244,622
Net position - beginning				<u>15,344,545</u>
Net position - ending				<u>\$ 15,589,167</u>

See accompanying notes to the basic financial statements

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

	General Fund	Permanent Funds	DPW Garage Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 6,158,630		\$ 1,360,939	\$ 376,496	\$ 7,896,065
Investments	119,704	\$ 1,258,690		979,387	2,357,781
Taxes receivable, net	1,238,603				1,238,603
Accounts receivable, net	1,350			50,950	52,300
Due from other governments	1,174				1,174
Due from other funds	118,847			69,368	188,215
Tax deeded property	177,900				177,900
Prepaid expense	147,881				147,881
Total Assets	<u>7,964,089</u>	<u>1,258,690</u>	<u>1,360,939</u>	<u>1,476,201</u>	<u>12,059,919</u>
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 7,964,089</u>	<u>\$ 1,258,690</u>	<u>\$ 1,360,939</u>	<u>\$ 1,476,201</u>	<u>\$ 12,059,919</u>
LIABILITIES					
Accounts payable	\$ 145,193		\$ 12,838	\$ 4,824	\$ 162,855
Accrued expenses	257,045				257,045
Due to other governments	5,357,571				5,357,571
Due to other funds	69,368	\$ 16,778	8,983	91,373	186,502
Total Liabilities	<u>5,829,177</u>	<u>16,778</u>	<u>21,821</u>	<u>96,197</u>	<u>5,963,973</u>
DEFERRED INFLOWS OF RESOURCES					
Uncollected property taxes	871,580				871,580
Uncollected land use taxes	16,050				16,050
Total Deferred Inflows of Resources	<u>887,630</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>887,630</u>
FUND BALANCES					
Nonspendable	325,781	1,009,851			1,335,632
Restricted	148,196	232,061	1,339,118	979,519	2,698,894
Committed	224,358			400,485	624,843
Assigned	320,681				320,681
Unassigned	228,266				228,266
Total Fund Balances	<u>1,247,282</u>	<u>1,241,912</u>	<u>1,339,118</u>	<u>1,380,004</u>	<u>5,208,316</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,964,089</u>	<u>\$ 1,258,690</u>	<u>\$ 1,360,939</u>	<u>\$ 1,476,201</u>	<u>\$ 12,059,919</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1
TOWN OF WEARE, 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)	\$ 5,208,316
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.	14,562,702
Debt service payments are recognized as expenditures when due within the funds. Prepaid debt service payments represent a reduction of the long-term liabilities at year end as follows:	
Bonds payable	(136,000)
Accrued interest on long-term obligations	(11,881)
Property and other taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis	887,630
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 attributable to net pension liability	855,149
Deferred inflows of resources attributable to net pension liability	(261,180)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
Bonds payable	(1,224,000)
Capital leases payable	(334,626)
Compensated absences payable	(38,932)
Accrued interest on long-term obligations	(1,234)
Net pension liability	<u>(3,916,777)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 15,589,167</u>

See accompanying notes to the basic financial statements

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

	General Fund	Permanent Funds	DPW Garage Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 3,234,616			\$ 48,032	\$ 3,282,648
Licenses and permits	1,862,405				1,862,405
Intergovernmental	802,236				802,236
Charges for service	220,362			221,043	441,405
Interest and investment income	20,775	\$ 66,286	\$ 939	73,901	161,901
Miscellaneous	30,304			58,907	89,211
Total Revenues	<u>6,170,698</u>	<u>66,286</u>	<u>939</u>	<u>401,883</u>	<u>6,639,806</u>
Expenditures:					
Current operations:					
General government	1,444,477	54,327		19,693	1,518,497
Public safety	1,895,010			39,515	1,934,525
Highways and streets	1,357,275				1,357,275
Sanitation	354,739			59,612	414,351
Water distribution and treatment	707				707
Health and welfare	59,163				59,163
Culture and recreation	286,227				286,227
Conservation				14,905	14,905
Capital outlay	740,668		21,821	40,000	802,489
Debt service:					
Principal retirement	205,368				205,368
Interest and fiscal charges	9,437				9,437
Total Expenditures	<u>6,353,071</u>	<u>54,327</u>	<u>21,821</u>	<u>173,725</u>	<u>6,602,944</u>
Excess revenues over (under) expenditures	<u>(182,373)</u>	<u>11,959</u>	<u>(20,882)</u>	<u>228,158</u>	<u>36,862</u>
Other financing sources (uses):					
Bond proceeds			1,360,000		1,360,000
Capital lease proceeds	226,188				226,188
Transfers in	301,401			22,500	323,901
Transfers out		(11,283)		(312,618)	(323,901)
Total other financing sources (uses)	<u>527,589</u>	<u>(11,283)</u>	<u>1,360,000</u>	<u>(290,118)</u>	<u>1,586,188</u>
Net change in fund balances	345,216	676	1,339,118	(61,960)	1,623,050
Fund balances - beginning	<u>902,066</u>	<u>1,241,236</u>	<u>-</u>	<u>1,441,964</u>	<u>3,585,266</u>
Fund balances - ending	<u>\$ 1,247,282</u>	<u>\$ 1,241,912</u>	<u>\$ 1,339,118</u>	<u>\$ 1,380,004</u>	<u>\$ 5,208,316</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1
TOWN OF WEARE, 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)	\$ 1,623,050
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.	151,511
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(64,325)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the gain on the disposal of capital assets reduced by the actual proceeds received.	25,000
Proceeds from bond issuances are reported as other financing sources in the governmental funds, but bond issuances increase long-term liabilities in the statement of net position.	(1,360,000)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	70,000
Proceeds from capital lease obligations are reported as other financing sources in the governmental funds, but capital lease obligations increase long-term liabilities in the statement of net position.	(226,188)
Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	135,368
Prepaid debt service is an asset in the governmental funds. The prepayment of principal reduces long-term liabilities in the statement of net position, and the prepayment of interest is recognized as interest expense in the statement of activities.	(11,881)
In the statement of activities, interest is accrued on outstanding bonds and capital leases, whereas in governmental funds, an interest expenditure is reported when due.	2,021
Some expenses reported in the statement of activities, such as compensated absences do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	1,245
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>(101,179)</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 244,622</u>

See accompanying notes to the basic financial statements

EXHIBIT E
TOWN OF WEARE, 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		\$ 982,456
Investments	<u>\$ 702,384</u>	
Total Assets	<u>702,384</u>	<u>\$ 982,456</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	<u>-</u>	
Total Assets and Deferred Outflows of Resources	<u>702,384</u>	
LIABILITIES		
Due to other governments		\$ 931,606
Deposits		49,137
Due to other funds		<u>1,713</u>
Total Liabilities	<u>-</u>	<u>\$ 982,456</u>
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	<u>-</u>	
NET POSITION		
Held in trust	<u>702,384</u>	
Total net position	<u>\$ 702,384</u>	

See accompanying notes to the basic financial statements

EXHIBIT F
TOWN OF WEARE, 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	\$ 900
Total Contributions	<u>900</u>
Investment earnings:	
Interest	14,366
Realized gains on investments	21,454
Net increase in the fair value of investments	<u>13,444</u>
Total Investment Earnings	<u>49,264</u>
Total Additions	<u>50,164</u>
DEDUCTIONS:	
Benefits	26,932
Investment Fees	<u>6,794</u>
Total Deductions	<u>33,726</u>
Change in net position	16,438
Net position - beginning	<u>685,946</u>
Net position - ending	<u>\$ 702,384</u>

See accompanying notes to the basic financial statements

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

NOTE 1--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Weare, 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 Weare, New Hampshire (the Town) was incorporated in 1764. 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 WEARE, 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 are the Town's major governmental funds:

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.

The *Permanent Funds* account for the financial transactions related to resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the Town's programs.

The *DPW Garage Capital Projects Fund* accounts for the financial transactions related to the construction of the Department of Public Works garage.

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. The private-purpose trust funds are used to account for assets held by the Town under a trust agreement for the benefit of individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town maintains numerous 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 capital reserve funds of the Weare School District and John Stark Regional School District, which are held by the Town as required by State law. Other agency funds consist of developer's performance bonds.

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

Measurement Focus

1. Government-Wide Financial Statements:

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

2. Fund Financial Statements:

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

The private purpose trust fund is 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.

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

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

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

Budgetary Data

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

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2016, the Town applied \$100,000 of its unassigned fund balance to reduce taxes.

Investments

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

Accounts Receivable

Accounts receivable are recorded net of reserves for estimated uncollectibles in the Nonmajor Governmental Funds of \$213,127.

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 \$100,000.

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

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 governmental fund financial statements.

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

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

	<u>Description</u>	<u>Years</u>
	Infrastructure	40
	Land improvements	15-20
	Buildings and improvements	5-50
	Vehicles and equipment	3-20

Compensated Absences

Employees earn vacation and sick leave as they provide services. Provision is made in the annual budget for vacation and sick leave. Pursuant to Town personnel policy, full time employees may accumulate sick leave days to a maximum of 90 days. Upon retirement, an employee that has worked for the Town for a minimum number of years will be reimbursed for a percentage of any unused accumulated sick days as follows: 50% of accumulated sick leave will be paid to employees that have worked a minimum of 20 years; 75% will be paid for those with 25 years of service; and 100% will be paid for those with 30 years of service.

During the year ended December 31, 2008, the Town amended the sick time policy for employees who had unused sick time as of August 2003, when the current policy took effect. Regardless of tenure, if the employee leaves Town employment at retirement age and was hired before August 2003, the employee has effectively been grandfathered under the previous policy and is able to receive 100% of their vested sick time balance. For these employees, the Town recognizes a liability of 100% of August 2003 or December 31, 2016 balance, whichever is less.

Pursuant to the police union contract, full time employees may accumulate sick leave to a maximum of 900 hours. Upon termination or retirement, a bargaining unit member that has worked for the Town for a minimum number of years will be reimbursed for a percentage of any unused accumulated sick days as follows: 75% of accumulated sick leave will be paid to employees that have worked a minimum of 15 years and 100% will be paid for those with 20 years of service.

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

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

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

Fund Balance Policy

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

- **Nonspendable Fund Balance:** Amounts that are not in a spendable form or are required to be maintained intact.
- **Restricted Fund Balance:** Amounts constrained to specific purposes by their providers through constitutional provisions or by enabling legislation.

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

- Committed Fund Balance: Amounts constrained to specific purposes by a government itself using its highest level of decision-making authority. To be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned Fund Balance: Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned Fund Balance: Amounts that are available for any purpose; these amounts are reported only in the General Fund. Any deficit fund balance of another fund is also classified as unassigned.

As of December 31, 2016, the Town has not adopted a fund balance policy. 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 are reduced first, followed by assigned amounts then unassigned amounts.

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:

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

Statement of Net Position:	
Cash and cash equivalents	\$ 7,896,065
Investments	2,357,781
Statement of Fiduciary Net Position:	
Cash and cash equivalents	982,456
Investments	702,384
	<u>\$ 11,938,686</u>

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

Deposits with financial institutions	\$ 8,878,521
Investments	3,060,165
	<u>\$ 11,938,686</u>

The Town's investment policy for governmental fund types requires that deposits be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The Town limits its investments to demand deposits, money market accounts, certificates of deposit and overnight repurchase agreements or the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool in accordance with New Hampshire State law (RSA 41:29). Investments of the library funds are at the discretion of the Library Trustees. Responsibility for the investments of the expendable trust funds, permanent funds, private purpose trust funds and school district agency funds is with the Board of Trustees, who have employed professional banking assistance in accordance with New Hampshire State law (RSA 31:38a).

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. The Town's investment policy is to optimize earnings while maintaining the purchasing power of the principal. This is accomplished by maintaining a balanced mix of certificates of deposit or other fixed income investments and equity investments.

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>Fair Value</u>	<u>0-1 Years</u>	<u>1-5 Years</u>	<u>> 5 Years</u>
Fixed income mutual funds	<u>\$ 1,011,700</u>	<u>\$ -</u>	<u>\$ 101,136</u>	<u>\$ 910,564</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. None of the investments held by the Town as of December 31, 2016 are rated.

The Town's investment policy states the Town may utilize any entity with an investment grade rating issued by Moody's and S&P at a minimum of Aa2 and AA, respectively. Both the Trustees of Trust

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

Funds' and the Library Trustees investment policies addresses credit risk by applying the prudent investor rule and portfolio diversification. The following is the actual rating at year end for each investment type:

<u>Investment Type</u>	<u>Not rated</u>
Money market funds	\$ 189,529
Fixed income mutual funds	1,011,700
	<u>\$ 1,201,229</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.

The Town's investment policy ensures that prior to acceptance of any moneys for deposit or investment, including repurchase agreements, the federally insured bank shall have such funds, at the time of deposit or investments, secured by collateral having a market value at least equal to 102% of the amount deposited or invested. The investment policy of the Trustees of Trust Funds for principal and income specifies an asset allocation as follows: cash and cash equivalents (remainder); fixed income (approximately 25-45%); and equities (approximately 50-75%). The entire balance of the capital reserve funds is to be invested in cash and cash equivalents (i.e. money market mutual funds). The investment policy of the Library Trustees specifies an asset allocation as follows: cash and cash equivalents (remainder); equities (approximately 40%); and fixed income (approximately 60%).

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>
Equity securities	\$ 1,330,970
Equity mutual funds	527,966
Money market funds	189,529
Fixed income mutual funds	1,011,700
	<u>\$ 3,060,165</u>

Of the Town's deposits with financial institutions at year end, \$8,755,560 was collateralized by securities held by the bank's agent in the bank's name.

Fair Value Measurement of Investments

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

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

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

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

<u>Investment Type</u>	<u>Fair Value Measurements Using:</u>			<u>Total</u>
	<u>Level 1</u> <u>Inputs</u>	<u>Level 2</u> <u>Inputs</u>	<u>Level 3</u> <u>Inputs</u>	
Equity securities	\$ 1,330,970			\$ 1,330,970
Equity mutual funds	527,966			527,966
Fixed income mutual funds	1,011,700			1,011,700
	<u>\$ 2,870,636</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,870,636</u>

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

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

NOTE 4--CAPITAL ASSETS

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

	<u>Balance</u> <u>1/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2016</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 6,839,069			\$ 6,839,069
Easements	324,085			324,085
Construction in process		\$ 42,342		42,342
Total capital assets not being depreciated	<u>7,163,154</u>	<u>42,342</u>	<u>\$ -</u>	<u>7,205,496</u>
Other capital assets:				
Infrastructure	5,150,678			5,150,678
Land improvements	98,074	15,500		113,574
Buildings and improvements	3,301,568	41,461		3,343,029
Vehicles and equipment	6,938,572	571,145	(210,621)	7,299,096
Total other capital assets at historical cost	<u>15,488,892</u>	<u>628,106</u>	<u>(210,621)</u>	<u>15,906,377</u>
Less accumulated depreciation for:				
Infrastructure	(1,287,941)	(128,767)		(1,416,708)
Land improvements	(30,424)	(5,475)		(35,899)
Buildings and improvements	(1,640,962)	(74,309)		(1,715,271)
Vehicles and equipment	(5,306,528)	(285,386)	210,621	(5,381,293)
Total accumulated depreciation	<u>(8,265,855)</u>	<u>(493,937)</u>	<u>210,621</u>	<u>(8,549,171)</u>
Total other capital assets, net	<u>7,223,037</u>	<u>134,169</u>	<u>-</u>	<u>7,357,206</u>
Total capital assets, net	<u>\$ 14,386,191</u>	<u>\$ 176,511</u>	<u>\$ -</u>	<u>\$ 14,562,702</u>

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

Depreciation expense was charged to governmental functions as follows:

General government	\$ 21,199
Public safety	161,072
Highways and streets	260,261
Sanitation	41,807
Culture and recreation	9,598
Total governmental activities depreciation expense	<u>\$ 493,937</u>

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

Vehicles and equipment	\$ 582,588
Less accumulated depreciation for:	
Vehicles and equipment	<u>(43,084)</u>
	<u>\$ 539,504</u>

NOTE 5--LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

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

	<u>Balance</u> 1/1/2016	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> 12/31/2016	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Bonds payable	\$ 70,000	\$ 1,360,000	\$ (206,000)	\$ 1,224,000	
Capital lease payable	243,806	226,188	(135,368)	334,626	\$ 134,780
Compensated absences	40,177	1,740	(2,985)	38,932	
Total governmental activities	<u>\$ 353,983</u>	<u>\$ 1,587,928</u>	<u>\$ (344,353)</u>	<u>\$ 1,597,558</u>	<u>\$ 134,780</u>

Payments on the general obligation bonds and capital lease payable are paid out of the General Fund. Compensated absences will be paid from the fund where the employee's salary is paid.

General Obligation Bonds

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

	<u>Original</u> <u>Issue</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Final</u> <u>Maturity</u> <u>Date</u>	<u>Balance at</u> <u>12/31/2016</u>
DPW Facility Bond	<u>\$ 1,360,000</u>	1.85%	January 2026	<u>\$ 1,224,000</u>

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

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

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ -	\$ -	\$ -
2018	136,000	22,334	158,334
2019	136,000	19,852	155,852
2020	136,000	17,371	153,371
2021	136,000	14,889	150,889
2022-2026	<u>680,000</u>	<u>37,223</u>	<u>717,223</u>
	<u>\$ 1,224,000</u>	<u>\$ 111,669</u>	<u>\$ 1,335,669</u>

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function. The following are the individual capital lease obligations at December 31, 2016:

Ambulance, due in annual installments of \$77,540 including interest at 2.25%, through December 2018	\$ 149,956
Highway department road grader, due in annual installments of \$64,058 including interest at 2.20%, through August 2019	<u>184,670</u>
	<u>\$ 334,626</u>

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

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 134,780	\$ 6,818	\$ 141,598
2018	137,265	4,333	141,598
2019	62,581	1,479	64,060
	<u>\$ 334,626</u>	<u>\$ 12,630</u>	<u>\$ 347,256</u>

NOTE 6--DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

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

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

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

Benefits Provided

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

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

<u>Years of Creditable Service as of January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum Service</u>	<u>Benefit 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 of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Funding Policy

Covered police officers are required to contribute 11.55% of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The Town is required to contribute at

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

an actuarially determined rate. The Town's contribution rates, excluding medical subsidy, for the covered payroll of police officers and general employees were 22.54% and 10.86%, respectively. The Town contributes 100% of the employer cost for police officers and general employees of the Town.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's pension contributions to the NHRS for the year ending December 31, 2016 were \$258,085.

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 \$3,916,777 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 0.0737 percent, which was a decrease of 0.0008 percentage points from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Town recognized pension expense of \$359,265. At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 10,885	\$ 49,459
Changes of assumptions	482,031	
Net difference between projected and actual earnings on pension plan investments	245,054	
Changes in proportion and differences between Town contributions and proportionate share of contributions		211,721
Town contributions subsequent to the measurement date	<u>117,179</u>	
Totals	<u>\$ 855,149</u>	<u>\$ 261,180</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions is reflected as an increase to unrestricted net position in the amount of \$593,969. The Town reported \$117,179 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized as pension expense in the measurement periods as follows:

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

Period ended	
<u>June 30,</u>	
2017	\$ 62,345
2018	62,345
2019	170,668
2020	172,852
2021	8,580
	<u>\$ 476,790</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 WEARE, 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 0.50% from the discount rate used for the prior measurement period of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer contributions are projected based on the expected payroll of current members only. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the collective pension liability.

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

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

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Town's proportionate share of the net pension liability	\$ 5,032,792	\$ 3,916,777	\$ 2,991,220

NOTE 7--INTERFUND BALANCES AND TRANSFERS

The Town has combined the cash resources of several of its governmental fund types. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Also, the General Fund has paid for various items that are to be reimbursed from several of the Nonmajor Governmental Funds and the Fiduciary Funds. These reimbursements due to the General Fund are reflected as interfund receivables at year end.

Interfund balances at December 31, 2016 are as follows:

	Due from					Totals
	General Fund	Permanent Funds	DPW Garage Capital Projects Fund	Nonmajor Governmental Funds	Fiduciary Funds	
Due to:						
General Fund		\$ 16,778	\$ 8,983	\$ 91,373	\$ 1,713	\$ 118,847
Nonmajor Governmental Funds	\$ 69,368					69,368
	<u>\$ 69,368</u>	<u>\$ 16,778</u>	<u>\$ 8,983</u>	<u>\$ 91,373</u>	<u>\$ 1,713</u>	<u>\$ 188,215</u>

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

During the year, several interfund transactions occurred between funds. The various transfers between the General Fund and the Nonmajor Governmental Funds were made in accordance with budgetary authorizations. Additionally, during the year ended December 31, 2016, the EMT/Firefighters Revolving Fund and Bridge Capital Projects Fund, both Nonmajor Governmental Funds, were closed. The residual fund balance remaining in these funds at the time of closure is reported as an Interfund transfer to the General Fund in the amounts of \$41,690 and \$110,638 respectively. Interfund transfers for the year ended December 31, 2016 are as follows:

	Transfer from		Totals
	Permanent Funds	Nonmajor Governmental Funds	
Transfer to General Fund	\$ 11,283	\$ 290,118	\$ 301,401
Nonmajor Governmental Funds		22,500	22,500
	<u>\$ 11,283</u>	<u>\$ 312,618</u>	<u>\$ 323,901</u>

NOTE 8--RESTRICTED NET POSITION

Net position is restricted for specific purposes as follows:

Permanent funds - principal	\$ 1,009,851
Permanent funds - income	232,061
Mildred Hall trust	27,004
Eastman trust	904,983
Buxton trust	47,400
Library	148,196
Drug forfeiture	132
DPW garage capital project	136,939
	<u>\$ 2,506,566</u>

NOTE 9--COMPONENTS OF FUND BALANCE

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Permanent Funds</u>	<u>Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable:</i>					
Prepaid expense	\$ 147,881				\$ 147,881
Tax dedeed property	177,900				177,900
Permanent Funds - principal		\$ 1,009,851			1,009,851
<i>Restricted for:</i>					
Library	148,196				148,196
Permanent Funds - income		232,061			232,061
Drug forfeiture				\$ 132	132
Mildred Hall trust				27,004	27,004
Eastman trust				904,983	904,983
Buxton trust				47,400	47,400
DPW garage			\$ 1,339,118		1,339,118

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

Committed for:

Expendable Trusts	224,358			224,358
Town Forest		152,205		152,205
Conservation Commission		135,821		135,821
Sewer operations		13,050		13,050
Fire Department Vehicle Replacement		77,818		77,818
Police Contracted Details		16,773		16,773
Transfer Station		4,818		4,818

Assigned for:

Encumbrances	213,497			213,497
Subsequent year appropriations	107,184			107,184

Unassigned:

General operations	228,266			228,266
	<u>\$ 1,247,282</u>	<u>\$ 1,241,912</u>	<u>\$ 1,339,118</u>	<u>\$ 1,380,004</u>
			<u>\$ 1,380,004</u>	<u>\$ 5,208,316</u>

NOTE 10--PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$851,543,648 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 Weare School District, John Stark Regional School District and Hillsborough County, 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 districts. Total taxes appropriated during the year were \$8,777,856, \$5,979,715, and \$998,325 for the Weare School District, John Stark Regional School District and Hillsborough County, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes. At December 31, 2016, the balance of the property tax appropriations due to the Weare School District and John Stark Regional School District are \$3,727,856 and \$1,629,715, respectively.

NOTE 11--RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2016, the Town was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United

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

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 additional assessments 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 12--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.

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

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 3,196,549	\$ 3,196,549	\$ 3,154,241	\$ (42,308)
Licenses and permits	1,797,596	1,797,596	1,862,405	64,809
Intergovernmental	801,176	801,176	802,236	1,060
Charges for service	203,589	203,589	219,911	16,322
Interest income	3,000	3,000	3,144	144
Miscellaneous	2,276	2,276	4,025	1,749
Total Revenues	<u>6,004,186</u>	<u>6,004,186</u>	<u>6,045,962</u>	<u>41,776</u>
Expenditures:				
Current:				
General government	1,426,659	1,426,659	1,403,096	23,563
Public safety	2,012,025	2,012,025	1,904,043	107,982
Highways and streets	1,300,396	1,300,396	1,269,027	31,369
Sanitation	380,007	380,007	352,884	27,123
Water distribution and treatment	3,300	3,300	707	2,593
Health and welfare	44,392	44,392	59,163	(14,771)
Culture and recreation	53,058	53,058	46,538	6,520
Economic development	50	50	-	50
Capital outlay	573,000	573,000	561,875	11,125
Debt service:				
Principal retirement	205,368	205,368	205,368	-
Interest and fiscal charges	14,672	14,672	9,437	5,235
Total Expenditures	<u>6,012,927</u>	<u>6,012,927</u>	<u>5,812,138</u>	<u>200,789</u>
Excess revenues over (under) expenditures	<u>(8,741)</u>	<u>(8,741)</u>	<u>233,824</u>	<u>242,565</u>
Other financing sources (uses):				
Transfers in	463,000	463,000	300,532	(162,468)
Transfers out	<u>(551,456)</u>	<u>(551,456)</u>	<u>(544,441)</u>	<u>7,015</u>
Total other financing sources (uses)	<u>(88,456)</u>	<u>(88,456)</u>	<u>(243,909)</u>	<u>(155,453)</u>
Net change in fund balance	(97,197)	(97,197)	(10,085)	87,112
Fund balance at beginning of year				
- Budgetary Basis	<u>1,703,826</u>	<u>1,703,826</u>	<u>1,703,826</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 1,606,629</u>	<u>\$ 1,606,629</u>	<u>\$ 1,693,741</u>	<u>\$ 87,112</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

TOWN OF WEARE, 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)	0.0737%	0.0745%	0.0764%	0.0830%
Town's proportionate share of the net Interest and investment income (loss)	\$ 3,916,777	\$ 2,949,906	\$ 2,869,299	\$ 3,573,997
Town's covered-employee payroll	\$ 1,754,504	\$ 1,706,357	\$ 1,663,202	\$ 1,726,647
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	223.24%	172.88%	172.52%	206.99%
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 WEARE, 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	\$ 258,085	\$ 253,579	\$ 237,690	\$ 229,172
Contributions in relation to the contractually required contribution	<u>(258,085)</u>	<u>(253,579)</u>	<u>(237,690)</u>	<u>(229,172)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 1,718,951	\$ 1,696,798	\$ 1,616,159	\$ 1,694,584
Contributions as a percentage of covered-employee payroll	15.01%	14.94%	14.71%	13.52%

See accompanying notes to the required supplementary information

TOWN OF WEARE, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended 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 revenues and other financing sources and expenditures and other financing uses were adjusted for encumbrances, accrued vacation, capital lease activity, non-budgetary revenues and expenditures, non-budgetary transfers in, and budgetary transfers out as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 6,698,287	\$ 6,353,071
Difference in property taxes meeting susceptible to accrual criteria	(80,375)	
Encumbrances - December 31, 2016		213,497
Accrued Vacation - December 31, 2016		(160,930)
Accrued Vacation - December 31, 2015		150,137
Capital lease activity	(226,188)	(226,188)
Non-budgetary revenues and expenditures	(44,361)	(517,449)
Non-budgetary transfers in	(869)	
Budgetary transfers out		544,441
Per Schedule 1	<u>\$ 6,346,494</u>	<u>\$ 6,356,579</u>

NOTE 2—BUDGETARY FUND BALANCE

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

<i>Nonspendable:</i>	
Prepaid expenses	\$ 147,881
Tax deeded property	177,900
<i>Assigned for:</i>	
Designated to offset subsequent year appropriations	107,184
<i>Unassigned</i>	
Unassigned - General operations	<u>1,260,776</u>
	<u>\$ 1,693,741</u>

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

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

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

Changes in Actuarial Assumptions

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

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

	Town Forest <u>Fund</u>	Conservation Commission <u>Fund</u>	Sewer <u>Fund</u>	Fire Department Vehicle Replacement <u>Fund</u>	Police Contracted Details <u>Fund</u>	Drug Forfeiture <u>Fund</u>	Transfer Station <u>Fund</u>	Mildred Hall Expendable Trust <u>Fund</u>	Eastman Expendable Trust <u>Fund</u>	Buxton Expendable Trust <u>Fund</u>	Total Nonmajor Special Revenue <u>Funds</u>
ASSETS											
Cash and cash equivalents	\$ 168,999	\$ 87,914		\$ 107,195	\$ 7,100	\$ 132	\$ 5,156				\$ 376,496
Investments								\$ 27,004	\$ 904,983	\$ 47,400	979,387
Accounts receivable, net			\$ 2,001	45,937	2,698		314				50,950
Due from other funds		47,907	11,448		6,975		3,038				69,368
Total Assets	<u>168,999</u>	<u>135,821</u>	<u>13,449</u>	<u>153,132</u>	<u>16,773</u>	<u>132</u>	<u>8,508</u>	<u>27,004</u>	<u>904,983</u>	<u>47,400</u>	<u>1,476,201</u>
DEFERRED OUTFLOWS OF RESOURCES											
Total Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 168,999</u>	<u>\$ 135,821</u>	<u>\$ 13,449</u>	<u>\$ 153,132</u>	<u>\$ 16,773</u>	<u>\$ 132</u>	<u>\$ 8,508</u>	<u>\$ 27,004</u>	<u>\$ 904,983</u>	<u>\$ 47,400</u>	<u>\$ 1,476,201</u>
LIABILITIES											
Accounts payable			\$ 399	\$ 735			\$ 3,690				\$ 4,824
Due to other funds	\$ 16,794			74,579							91,373
Total Liabilities	<u>16,794</u>	<u>\$ -</u>	<u>399</u>	<u>75,314</u>	<u>\$ -</u>	<u>\$ -</u>	<u>3,690</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>96,197</u>
DEFERRED INFLOWS OF RESOURCES											
Total Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-	-	-
FUND BALANCES											
Restricted						132		27,004	904,983	47,400	979,519
Committed	152,205	135,821	13,050	77,818	16,773		4,818				400,485
Total Fund Balances	<u>152,205</u>	<u>135,821</u>	<u>13,050</u>	<u>77,818</u>	<u>16,773</u>	<u>132</u>	<u>4,818</u>	<u>27,004</u>	<u>904,983</u>	<u>47,400</u>	<u>1,380,004</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 168,999</u>	<u>\$ 135,821</u>	<u>\$ 13,449</u>	<u>\$ 153,132</u>	<u>\$ 16,773</u>	<u>\$ 132</u>	<u>\$ 8,508</u>	<u>\$ 27,004</u>	<u>\$ 904,983</u>	<u>\$ 47,400</u>	<u>\$ 1,476,201</u>

SCHEDULE B
TOWN OF WEARE, 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>	Bridge Capital Projects <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues:			
Taxes	\$ 48,032		\$ 48,032
Charges for services	221,043		221,043
Interest and investment income	73,901		73,901
Miscellaneous	58,907		58,907
Total Revenues	<u>401,883</u>	<u>\$ -</u>	<u>401,883</u>
Expenditures:			
Current operations:			
General government	19,693		19,693
Public safety	39,515		39,515
Sanitation	59,612		59,612
Conservation	14,905		14,905
Capital outlay	40,000		40,000
Total Expenditures	<u>173,725</u>	<u>-</u>	<u>173,725</u>
Excess revenues over expenditures	<u>228,158</u>	<u>-</u>	<u>228,158</u>
Other financing sources (uses):			
Transfers in	22,500		22,500
Transfers out	<u>(201,980)</u>	<u>(110,638)</u>	<u>(312,618)</u>
Total other financing sources (uses)	<u>(179,480)</u>	<u>(110,638)</u>	<u>(290,118)</u>
Net change in fund balances	48,678	(110,638)	(61,960)
Fund balances at beginning of year	<u>1,331,326</u>	<u>110,638</u>	<u>1,441,964</u>
Fund balances at end of year	<u>\$ 1,380,004</u>	<u>\$ -</u>	<u>\$ 1,380,004</u>

SCHEDULE B-1
TOWN OF WEARE, 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

	Town Forest Fund	Conservation Commission Fund	Sewer Fund	Fire Department Vehicle Replacement Fund	Police Contracted Details Fund	Drug Forfeiture Fund	Transfer Station Fund	EMT/ Firefighters Revolving Fund	Mildred Hall Expendable Trust Fund	Eastman Expendable Trust Fund	Buxton Expendable Trust Fund	Total Nonmajor Special Revenue Funds
Revenues:												
Taxes		\$ 48,032										\$ 48,032
Charges for services			\$ 20,276	\$ 129,478	\$ 17,625		\$ 53,664					221,043
Interest and investment income	\$ 137	71		77	5		4	\$ 1	\$ 1,034	\$ 72,572		73,901
Miscellaneous	11,507										\$ 47,400	58,907
Total Revenues	<u>11,644</u>	<u>48,103</u>	<u>20,276</u>	<u>129,555</u>	<u>17,630</u>	<u>\$ -</u>	<u>53,668</u>	<u>1</u>	<u>1,034</u>	<u>72,572</u>	<u>47,400</u>	<u>401,883</u>
Expenditures:												
Current operations:												
General government									9,827	9,866		19,693
Public safety				8,891	8,864			21,760				39,515
Sanitation			8,752				50,860					59,612
Conservation	11,280	3,625										14,905
Capital outlay										40,000		40,000
Total Expenditures	<u>11,280</u>	<u>3,625</u>	<u>8,752</u>	<u>8,891</u>	<u>8,864</u>	<u>-</u>	<u>50,860</u>	<u>21,760</u>	<u>9,827</u>	<u>49,866</u>	<u>-</u>	<u>173,725</u>
Excess revenues over (under) expenditures	<u>364</u>	<u>44,478</u>	<u>11,524</u>	<u>120,664</u>	<u>8,766</u>	<u>-</u>	<u>2,808</u>	<u>(21,759)</u>	<u>(8,793)</u>	<u>22,706</u>	<u>47,400</u>	<u>228,158</u>
Other financing sources (uses):												
Transfers in								22,500				22,500
Transfers out	-			(160,290)				(41,690)				(201,980)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(160,290)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,190)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(179,480)</u>
Net change in fund balances	364	44,478	11,524	(39,626)	8,766	-	2,808	(40,949)	(8,793)	22,706	47,400	48,678
Fund balances - beginning	<u>151,841</u>	<u>91,343</u>	<u>1,526</u>	<u>117,444</u>	<u>8,007</u>	<u>132</u>	<u>2,010</u>	<u>40,949</u>	<u>35,797</u>	<u>882,277</u>	<u>-</u>	<u>1,331,326</u>
Fund balances - ending	<u>\$ 152,205</u>	<u>\$ 135,821</u>	<u>\$ 13,050</u>	<u>\$ 77,818</u>	<u>\$ 16,773</u>	<u>\$ 132</u>	<u>\$ 4,818</u>	<u>\$ -</u>	<u>\$ 27,004</u>	<u>\$ 904,983</u>	<u>\$ 47,400</u>	<u>\$ 1,380,004</u>

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

	School Agency Fund	Performance Bond Agency Fund	Combining Totals
ASSETS			
Cash and cash equivalents	\$ 931,606	\$ 50,850	\$ 982,456
Total Assets	<u>\$ 931,606</u>	<u>\$ 50,850</u>	<u>\$ 982,456</u>
LIABILITIES			
Due to other governments	\$ 931,606		\$ 931,606
Deposits		\$ 49,137	49,137
Due to other funds		1,713	1,713
Total Liabilities	<u>\$ 931,606</u>	<u>\$ 50,850</u>	<u>\$ 982,456</u>