

TOWN OF JAFFREY, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2016

Town of Jaffrey, New Hampshire

TABLE OF CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	16
Proprietary Funds:	
Statement of Net Position	17
Statement of Revenues, Expenses, and Changes in Fund Net Position	18
Statement of Cash Flows	19
Fiduciary Funds:	
Statement of Fiduciary Net Position	20
Statement of Changes in Fiduciary Net Position	21
Notes to Financial Statements	22
REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Proportionate Share of the Net Pension Liability	47
Schedule of Pension Contributions	48

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Jaffrey, New Hampshire

Additional Offices:

Andover, MA
Greenfield, MA
Manchester, NH
Ellsworth, ME

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Jaffrey, New Hampshire, as of December 31, 2016, and for the year then ended, 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

The Town's 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.

Auditors' 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Jaffrey, New Hampshire, as of December 31, 2016, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund 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 Management's Discussion and Analysis, the Schedule of Proportionate Share of Net Pension Liability, and the Schedule of Pension Contributions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers 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 evidence sufficient to express an opinion or provide any assurance.

Melanson Heath

April 28, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Jaffrey, New Hampshire, we offer readers this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2016.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows of resources with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position 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 only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, sanitation, health and welfare, culture and recreation, conservation, and economic development. The business-type activities include water activities.

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. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds. Proprietary funds are maintained as follows:

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water operations, which is considered to be a major fund.

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the 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 accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current year, the total of assets exceeded liabilities by \$21,578,831 (i.e., net position), a change of \$1,437,455 in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$7,017,874, a change of \$290,405 in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$2,238,289 a change of \$478,407 in comparison to the prior year.
- Total long-term debt (i.e., bonds payable) at the close of the current year was \$13,280,027, a change of \$(951,991) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior years (in thousands).

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Current and other assets	\$ 12,099	\$ 11,622	\$ 2,715	\$ 1,733	\$ 14,814	\$ 13,355
Capital assets	22,310	22,209	9,752	7,804	32,062	30,013
Deferred outflows	<u>1,379</u>	<u>534</u>	<u>114</u>	<u>44</u>	<u>1,493</u>	<u>578</u>
Total assets and deferred outflows	35,788	34,365	12,581	9,581	48,369	43,946
Long-term liabilities outstanding	15,480	14,909	3,324	3,496	18,804	18,405
Other liabilities	4,738	4,482	3,091	336	7,829	4,818
Deferred inflows	<u>145</u>	<u>537</u>	<u>12</u>	<u>44</u>	<u>157</u>	<u>581</u>
Total liabilities and deferred inflows	20,363	19,928	6,427	3,876	26,790	23,804
Net position:						
Net investment in capital assets	12,063	11,568	6,171	4,374	18,234	15,942
Restricted	3,610	3,517	-	-	3,610	3,517
Unrestricted	<u>(248)</u>	<u>(648)</u>	<u>(17)</u>	<u>1,331</u>	<u>(265)</u>	<u>683</u>
Total net position	<u>\$ 15,425</u>	<u>\$ 14,437</u>	<u>\$ 6,154</u>	<u>\$ 5,705</u>	<u>\$ 21,579</u>	<u>\$ 20,142</u>

CHANGES IN NET POSITION

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,703	\$ 2,376	\$ 1,357	\$ 1,098	\$ 4,060	\$ 3,474
Operating grants and contributions	417	307	-	-	417	307
Capital grants and contributions	162	327	-	-	162	327
General revenues:						
Property taxes	4,857	5,108	-	-	4,857	5,108
Excises	16	17	-	-	16	17
Penalties and interest on taxes	166	132	-	-	166	132
Grants and contributions not restricted to specific programs	284	263	35	37	319	300
Investment income	153	(12)	-	1	153	(11)
Other	<u>846</u>	<u>240</u>	<u>54</u>	<u>54</u>	<u>900</u>	<u>294</u>
Total revenues	9,604	8,758	1,446	1,190	11,050	9,948
Expenses:						
General government	1,591	1,793	-	-	1,591	1,793
Public safety	2,110	2,484	-	-	2,110	2,484
Highways and streets	1,908	1,495	-	-	1,908	1,495
Sanitation	1,696	2,157	-	-	1,696	2,157
Heath and welfare	168	168	-	-	168	168
Culture and recreation	675	585	-	-	675	585
Conservation	-	1	-	-	-	1
Economic development	28	26	-	-	28	26
Interest	335	546	-	-	335	546
Water services	-	-	1,071	1,065	1,071	1,065
Miscellaneous	<u>31</u>	<u>21</u>	<u>-</u>	<u>-</u>	<u>31</u>	<u>21</u>
Total expenses	<u>8,542</u>	<u>9,276</u>	<u>1,071</u>	<u>1,065</u>	<u>9,613</u>	<u>10,341</u>
Change in net position before permanent fund contributions	1,062	(518)	375	125	1,437	(393)
Transfers in (out)	<u>(74)</u>	<u>(75)</u>	<u>74</u>	<u>75</u>	<u>-</u>	<u>-</u>
Change in net position	988	(593)	449	200	1,437	(393)
Net position - beginning of year	<u>14,437</u>	<u>15,030</u>	<u>5,705</u>	<u>5,505</u>	<u>20,142</u>	<u>20,535</u>
Net position - end of year	<u>\$ 15,425</u>	<u>\$ 14,437</u>	<u>\$ 6,154</u>	<u>\$ 5,705</u>	<u>\$ 21,579</u>	<u>\$ 20,142</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent year, total net position was \$21,578,831, a change of \$1,437,455 from the prior year.

The largest portion of net position \$18,233,733 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in 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 cannot be used to liquidate these liabilities.

An additional portion of net position \$3,610,674 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$(265,576) may be used to meet the government's ongoing obligations to citizens and creditors.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$988,187. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 576,987
Major sewer fund operating results	(32,568)
Nonmajor funds accrual basis	987,488
Depreciation expense in excess of principal debt service	(611,012)
Change in net pension liability	(1,485,527)
Other GAAP accruals	<u>1,552,819</u>
Total	<u>\$ 988,187</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$449,268 for water operations.

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing 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.

As of the end of the current year, governmental funds reported combined ending fund balances of \$7,017,874, a change of \$290,405 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 576,987
Major sewer fund operating results	(32,568)
Nonmajor fund operating results	<u>(254,014)</u>
Total	<u>\$ 290,405</u>

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$2,238,289, while total fund balance was \$3,439,517. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 2,238,289	\$ 1,759,882	\$ 478,407	36.4%
Total fund balance	\$ 3,439,517	\$ 2,862,530	\$ 576,987	56.0%

The total fund balance of the general fund changed by \$576,987 during the current year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 326,427
Expenditures less than budget	389,859
Use of fund balance as a funding source	(435,000)
Expenditures of current year encumbrances exceeding current prior encumbrances	18,190
Tax collections short compared to net levy	69,100
Change in capital reserve	234,681
Other	<u>(26,270)</u>
Total	<u>\$ 576,987</u>

Included in the total general fund balance are the Town's capital reserve accounts with the following balances:

	<u>12/31/16</u>	<u>12/31/15</u>	<u>Change</u>
Capital reserve	\$ 957,348	\$ 722,667	\$ 234,681

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no major differences between the original budget and the final amended budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental at year-end amounted to \$32,062,739 (net of accumulated depreciation), a change of \$2,049,065 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current year included the following:

- Construction in progress of Mountain Road and Main Street Water Main Replacement for \$2,294,307
- Construction in progress of River Street and Nelson Circle for \$580,108
- Road construction for \$362,935

Additional information on capital assets can be found in the Notes to Financial Statements.

Long-term debt. At the end of the current year, total bonded debt outstanding was \$13,280,027, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to Financial Statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Jaffrey, New Hampshire's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Board of Selectmen
Town of Jaffrey
10 Goodnow Street
Jaffrey, New Hampshire 03452

TOWN OF JAFFREY, NEW HAMPSHIRE

STATEMENT OF NET POSITION

DECEMBER 31, 2016

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 5,690,507	\$ 1,793,444	\$ 7,483,951
Investments	3,692,732	-	3,692,732
Receivables, net of allowance for uncollectibles:			
Property taxes	476,935	-	476,935
User fees	150,978	130,163	281,141
Departmental and other	395,268	-	395,268
Intergovernmental	185,895	1,155,816	1,341,711
Interfund balances	429,075	(429,075)	-
Other assets	353,607	64,412	418,019
Noncurrent:			
Receivables, net of allowance for uncollectibles			
Property taxes	399,960	-	399,960
Intergovernmental	323,935	-	323,935
Capital Assets:			
Land and construction in progress	1,490,165	2,515,632	4,005,797
Other capital assets, net of accumulated depreciation	20,820,241	7,236,701	28,056,942
DEFERRED OUTFLOWS OF RESOURCES	<u>1,378,912</u>	<u>113,908</u>	<u>1,492,820</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	35,788,210	12,581,001	48,369,211
LIABILITIES			
Current:			
Accounts payable	109,922	-	109,922
Due to other governments	3,418,573	-	3,418,573
Accrued expenses	170,656	30,427	201,083
Notes payable	362,500	2,781,699	3,144,199
Other current liabilities	1,219	2,404	3,623
Current portion of long-term liabilities:			
Bonds payable	542,129	275,907	818,036
Compensated absence	12,004	443	12,447
Unamortized bond premium	781	-	781
Landfill closure	35,800	-	35,800
Capital leases	84,884	-	84,884
Noncurrent:			
Bonds payable, net of current portion	9,581,935	2,880,056	12,461,991
Compensated absence, net of current portion	228,079	8,425	236,504
Unamortized bond premium, net of current portion	539	-	539
Landfill closure, net of current portion	179,000	-	179,000
Capital leases, net of current portion	214,861	-	214,861
Net pension liability	5,274,947	435,751	5,710,698
DEFERRED INFLOWS OF RESOURCES	<u>145,426</u>	<u>12,013</u>	<u>157,439</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	20,363,255	6,427,125	26,790,380
NET POSITION			
Net investment in capital assets	12,063,061	6,170,672	18,233,733
Restricted for:			
Grants and other statutory restrictions	1,843,200	-	1,843,200
Permanent funds:			
Nonexpendable	1,391,117	-	1,391,117
Expendable	376,357	-	376,357
Unrestricted	<u>(248,780)</u>	<u>(16,796)</u>	<u>(265,576)</u>
TOTAL NET POSITION	\$ <u>15,424,955</u>	\$ <u>6,153,876</u>	\$ <u>21,578,831</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF JAFFREY, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2016

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business-	Total
	<u>Expenses</u>	<u>Services</u>	<u>Grants and</u> <u>Contributions</u>	<u>Grants and</u> <u>Contributions</u>	<u>Activities</u>	<u>Type</u> <u>Activities</u>	
Governmental Activities:							
General government	\$ 1,591,380	\$ 1,098,630	\$ 2,870	\$ -	\$ (489,880)	\$ -	\$ (489,880)
Public safety	2,110,346	67,663	-	-	(2,042,683)	-	(2,042,683)
Highways and streets	1,907,601	11,410	133,816	162,454	(1,599,921)	-	(1,599,921)
Sanitation	1,695,603	1,407,432	187,352	-	(100,819)	-	(100,819)
Health and welfare	167,865	1,496	-	-	(166,369)	-	(166,369)
Culture and recreation	676,065	116,098	92,821	-	(467,146)	-	(467,146)
Conservation	470	-	-	-	(470)	-	(470)
Economic development	27,808	-	-	-	(27,808)	-	(27,808)
Interest	335,012	-	-	-	(335,012)	-	(335,012)
Miscellaneous	31,010	-	-	-	(31,010)	-	(31,010)
Total Governmental Activities	8,543,160	2,702,729	416,859	162,454	(5,261,118)	-	(5,261,118)
Business-Type Activities:							
Water services	1,071,741	1,357,107	-	-	-	285,366	285,366
Total	\$ 9,614,901	\$ 4,059,836	\$ 416,859	\$ 162,454	(5,261,118)	285,366	(4,975,752)
General Revenues:							
Property taxes					4,857,140	-	4,857,140
Excise					16,388	-	16,388
Penalties, interest and other taxes					165,815	-	165,815
Grants and contributions not restricted to specific programs					284,355	35,451	319,806
Investment income					153,114	401	153,515
Miscellaneous					846,268	54,275	900,543
Transfers (net)					(73,775)	73,775	-
Total general revenues and transfers					6,249,305	163,902	6,413,207
Change in Net Assets					988,187	449,268	1,437,455
Net Position:							
Beginning of year					14,436,768	5,704,608	20,141,376
End of year					\$ 15,424,955	\$ 6,153,876	\$ 21,578,831

The accompanying notes are an integral part of these financial statements.

TOWN OF JAFFREY, NEW HAMPSHIRE
GOVERNMENTAL FUNDS
BALANCE SHEET
DECEMBER 31, 2016

	<u>General</u>	<u>Sewer Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 4,899,562	\$ 528,136	\$ 262,809	\$ 5,690,507
Investments	957,348	-	2,735,384	3,692,732
Receivables:				
Property taxes	974,328	-	-	974,328
Departmental and other	8,889	150,978	393,111	552,978
Intergovernmental	-	-	149,300	149,300
Due from other funds	667,515	-	4,324	671,839
Other assets	<u>146,387</u>	<u>176,803</u>	<u>30,417</u>	<u>353,607</u>
TOTAL ASSETS	<u>\$ 7,654,029</u>	<u>\$ 855,917</u>	<u>\$ 3,575,345</u>	<u>\$ 12,085,291</u>
LIABILITIES				
Accounts payable	\$ 109,922	\$ -	\$ -	\$ 109,922
Due to other funds	4,324	2,753	235,687	242,764
Due to other governments	3,418,573	-	-	3,418,573
Notes payable	-	-	362,500	362,500
Other liabilities	<u>(9,947)</u>	<u>10,144</u>	<u>1,022</u>	<u>1,219</u>
TOTAL LIABILITIES	3,522,872	12,897	599,209	4,134,978
DEFERRED INFLOWS OF RESOURCES	691,640	150,978	89,821	932,439
FUND BALANCES				
Nonspendable	146,387	178,604	1,421,534	1,746,525
Restricted	-	505,969	1,594,134	2,100,103
Committed	957,348	-	58,267	1,015,615
Assigned	97,493	7,469	-	104,962
Unassigned	<u>2,238,289</u>	<u>-</u>	<u>(187,620)</u>	<u>2,050,669</u>
TOTAL FUND BALANCES	<u>3,439,517</u>	<u>692,042</u>	<u>2,886,315</u>	<u>7,017,874</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 7,654,029</u>	<u>\$ 855,917</u>	<u>\$ 3,575,345</u>	<u>\$ 12,085,291</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF JAFFREY, NEW HAMPSHIRE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

DECEMBER 31, 2016

Total governmental fund balances	\$ 7,017,874
<ul style="list-style-type: none">Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	22,310,406
<ul style="list-style-type: none">Revenues are reported on the accrual basis of accounting and are not deferred until collection.	828,275
<ul style="list-style-type: none">In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(170,657)
<ul style="list-style-type: none">Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(10,519,482)
<ul style="list-style-type: none">Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds.	<u>(4,041,461)</u>
Net position of governmental activities	\$ <u><u>15,424,955</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF JAFFREY, NEW HAMPSHIRE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>General</u>	<u>Sewer Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 4,420,273	\$ -	\$ 496,633	\$ 4,916,906
Excise	-	-	16,388	16,388
Penalties, interest and other taxes	154,107	5,009	6,630	165,746
Charges for services	54,230	1,407,432	179,408	1,641,070
Intergovernmental	580,895	201,357	-	782,252
Licenses and permits	1,092,135	-	-	1,092,135
Investment income	5,041	287	147,856	153,184
Contributions and donations	-	-	2,600	2,600
Miscellaneous	<u>166,487</u>	<u>165,268</u>	<u>392,315</u>	<u>724,070</u>
Total Revenues	6,473,168	1,779,353	1,241,830	9,494,351
Expenditures:				
Current:				
General government	1,565,507	-	140,059	1,705,566
Public safety	1,882,990	-	77,479	1,960,469
Highways and streets	884,550	-	715,622	1,600,172
Sanitation	321,728	1,370,079	-	1,691,807
Health and welfare	167,865	-	-	167,865
Library and recreation	489,247	-	124,201	613,448
Conservation	470	-	-	470
Economic development	27,808	-	-	27,808
Miscellaneous	-	-	27,355	27,355
Debt service	309,679	391,842	140,242	841,763
Capital outlay	<u>493,448</u>	<u>-</u>	<u>-</u>	<u>493,448</u>
Total Expenditures	<u>6,143,292</u>	<u>1,761,921</u>	<u>1,224,958</u>	<u>9,130,171</u>
Excess (deficiency) of revenues over expenditures	329,876	17,432	16,872	364,180
Other Financing Sources (Uses):				
Transfers in	320,886	-	7,375	328,261
Transfers out	<u>(73,775)</u>	<u>(50,000)</u>	<u>(278,261)</u>	<u>(402,036)</u>
Total Other Financing Sources (Uses)	<u>247,111</u>	<u>(50,000)</u>	<u>(270,886)</u>	<u>(73,775)</u>
Excess of revenues and other sources over expenditures and other uses	576,987	(32,568)	(254,014)	290,405
Fund Equity, at Beginning of Year, as restated	<u>2,862,530</u>	<u>724,610</u>	<u>3,140,329</u>	<u>6,727,469</u>
Fund Equity, at End of Year	<u>\$ 3,439,517</u>	<u>\$ 692,042</u>	<u>\$ 2,886,315</u>	<u>\$ 7,017,874</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF JAFFREY, 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 - total governmental funds	\$ 290,405										
<ul style="list-style-type: none"> 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 and reported as depreciation expense: <table> <tr> <td>Capital outlay purchases</td><td style="text-align: right;">1,241,502</td></tr> <tr> <td>Depreciation</td><td style="text-align: right;">(1,140,573)</td></tr> </table> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <div style="text-align: right;">(59,765)</div> The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. <table> <tr> <td>Repayments of debt</td><td style="text-align: right;">529,561</td></tr> <tr> <td>Repayments of capital lease</td><td style="text-align: right;">83,595</td></tr> <tr> <td>Repayments of bond premium</td><td style="text-align: right;">148,729</td></tr> </table> In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <div style="text-align: right;">(23,591)</div> 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. <div style="text-align: right;">167,798</div> Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds. <div style="text-align: right;"><u>(249,474)</u></div> 	Capital outlay purchases	1,241,502	Depreciation	(1,140,573)	Repayments of debt	529,561	Repayments of capital lease	83,595	Repayments of bond premium	148,729	
Capital outlay purchases	1,241,502										
Depreciation	(1,140,573)										
Repayments of debt	529,561										
Repayments of capital lease	83,595										
Repayments of bond premium	148,729										
Change in net position of governmental activities	\$ <u>988,187</u>										

The accompanying notes are an integral part of these financial statements.

TOWN OF JAFFREY, NEW HAMPSHIRE

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES, AND EXPENDITURES AND OTHER USES -
BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2016

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Other Sources:				
Taxes	\$ 4,351,173	\$ 4,351,173	\$ 4,351,173	\$ -
Penalties, interest and other taxes	145,000	145,000	154,107	9,107
Licenses and permits	915,025	915,025	1,092,135	177,110
Intergovernmental	574,492	574,492	580,895	6,403
Departmental	41,825	41,825	54,230	12,405
Investment income	5,000	5,000	2,352	(2,648)
Miscellaneous	44,500	44,500	163,921	119,421
Bond proceeds	3,800,000	3,800,000	3,800,000	-
Transfers in	271,257	271,257	275,886	4,629
Use of fund balance	435,000	435,000	435,000	-
Total Revenues and Other Sources	10,583,272	10,583,272	10,909,699	326,427
Expenditures and Other Uses:				
General government	1,510,193	1,510,193	1,580,270	(70,077)
Public safety	1,967,438	1,967,438	1,895,356	72,082
Highways and streets	988,182	988,182	847,477	140,705
Sanitation	364,795	364,795	337,247	27,548
Health and welfare	206,150	206,150	167,865	38,285
Library and recreation	492,986	492,986	459,871	33,115
Conservation	475	475	470	5
Economic development	27,378	27,378	27,808	(430)
Debt service	459,100	459,100	309,679	149,421
Capital outlay	4,294,075	4,294,075	4,294,870	(795)
Transfer out	272,500	272,500	272,500	-
Total Expenditures and Other Uses	10,583,272	10,583,272	10,193,413	389,859
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 716,286	\$ 716,286

The accompanying notes are an integral part of these financial statements.

TOWN OF JAFFREY, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

DECEMBER 31, 2016

	Business-Type Activities Enterprise Funds <u>Water Fund</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 1,793,444
User fees, net of allowance for uncollectibles	130,163
Intergovernmental receivables	1,155,816
Other assets	<u>64,412</u>
Total current assets	3,143,835
Noncurrent:	
Capital assets:	
Land and construction in progress	2,515,632
Other capital assets, net of accumulated depreciation	<u>7,236,701</u>
Total noncurrent assets	9,752,333
DEFERRED OUTFLOWS OF RESOURCES	<u>113,908</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	13,010,076
LIABILITIES	
Current:	
Accrued liabilities	30,427
Due to other funds	429,075
Notes payable	2,781,699
Other current liabilities	2,404
Bonds payable	275,907
Compensated absence	<u>443</u>
Total current liabilities	3,519,955
Noncurrent:	
Bonds payable, net of current portion	2,880,056
Compensated absence, net of current portion	8,425
Net pension liability	<u>435,751</u>
Total noncurrent liabilities	3,324,232
DEFERRED INFLOWS OF RESOURCES	<u>12,013</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	6,856,200
NET POSITION	
Net investment in capital assets	6,170,672
Unrestricted	<u>(16,796)</u>
TOTAL NET POSITION	<u>\$ 6,153,876</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF JAFFREY, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities Enterprise Funds <u>Water Fund</u>
Operating Revenues:	
Charges for services	\$ 1,357,107
Other	<u>54,275</u>
Total Operating Revenues	1,411,382
Operating Expenses:	
Operating expenses	719,024
Depreciation	<u>346,171</u>
Total Operating Expenses	<u>1,065,195</u>
Operating Income (Loss)	346,187
Nonoperating Revenues (Expenses):	
Intergovernmental revenue	35,451
Investment income	401
Interest expense	<u>(6,546)</u>
Total Nonoperating Revenues (Expenses), Net	<u>29,306</u>
Income (Loss) Before Transfers	375,493
Transfers:	
Transfers in	<u>73,775</u>
Change in Net Position	449,268
Net Position at Beginning of Year	<u>5,704,608</u>
Net Position at End of Year	<u><u>\$ 6,153,876</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF JAFFREY, NEW HAMPSHIRE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2016

	Business-Type Activities Enterprise Funds <u>Water Fund</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts from customers and users	\$ 1,374,636
Payments to vendors and employees	<u>(348,551)</u>
Net Cash Provided By Operating Activities	1,026,085
<u>Cash Flows From Noncapital Financing Activities:</u>	
Transfers in	73,775
Intergovernmental receipt	<u>(877,639)</u>
Net Cash (Used For) Noncapital Financing Activities	(803,864)
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Acquisition and construction of capital assets	(2,294,307)
Principal payments on bonds and notes	2,507,217
Interest expense	(6,546)
Other non-operating income	<u>35,451</u>
Net Cash Provided By Capital and Related Financing Activities	241,815
<u>Cash Flows From Investing Activities:</u>	
Investment income	<u>401</u>
Net Cash Provided By Investing Activities	<u>401</u>
Net Change in Cash and Short-Term Investments	464,437
Cash and Short-Term Investments, Beginning of Year	<u>1,329,007</u>
Cash and Short-Term Investments, End of Year	<u><u>\$ 1,793,444</u></u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income (loss)	\$ 346,187
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	346,171
Changes in assets and liabilities:	
User fees	(4,419)
Other assets	(134,192)
Due to other funds	426,253
Net pension liability	122,716
Other liabilities	<u>(76,631)</u>
Net Cash Provided By Operating Activities	<u><u>\$ 1,026,085</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF JAFFREY, NEW HAMPSHIRE
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2016

	Private Purpose Trust Funds	Agency Funds
<u>ASSETS</u>		
Cash and short-term investments	\$ -	\$ 54,836
Investments	<u>3,809,943</u>	<u>1,203,911</u>
Total Assets	3,809,943	1,258,747
<u>LIABILITIES AND NET POSITION</u>		
Other liabilities	<u>-</u>	<u>1,258,747</u>
Total Liabilities	<u>-</u>	<u>1,258,747</u>
<u>NET POSITION</u>		
Total net position held in trust	\$ <u><u>3,809,943</u></u>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF JAFFREY, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2016

	Private Purpose <u>Funds</u>
Additions:	
Investment income	\$ <u>284,400</u>
Total additions	284,400
Deductions:	
Other	<u>69,314</u>
Total deductions	<u>69,314</u>
Net increase	215,086
Net position:	
Beginning of year	<u>3,594,857</u>
End of year	\$ <u><u>3,809,943</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF JAFFREY, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Jaffrey (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In 2016, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

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

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the proprietary and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *sewer fund* accounts for the operations of the sewer activities for the town.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with

a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The government reports the following major proprietary fund:

- Water operations

The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the trust funds consist of marketable securities, bonds, and short-term money market investments. Investments are carried at market value.

F. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “due from/to other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, (for enterprise funds only) are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$20,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets’ lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	50 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

H. Compensated Absences

It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental

funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

The Town’s fund balance classification policies and procedures are as follows:

- 1) Nonspendable funds are either unspendable in the current form (i.e., inventory or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the government (i.e., Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances, have been assigned for specific goods and services ordered but not yet paid for. This account also includes fund balance voted to be used in the subsequent year.
- 5) Unassigned funds are available to be spent in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing 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. The remaining net position is reported as unrestricted.

K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used.

2. **Stewardship, Compliance, and Accountability**

A. Budgetary Information

The Town's budget is originally prepared by the Selectmen's Office with the cooperation of the various department heads. It is then submitted to the Budget Committee, in accordance with the Municipal Budget Law. After reviewing the budget, the Committee holds a public hearing for discussion.

The final version of the budget is then submitted for approval at the annual Town Meeting. The approved budget is subsequently reported to the State of New Hampshire on the statement of appropriation form in order to establish the current property tax rate.

The Selectmen cannot increase the total of the approved budget; however, they have the power to reclassify its components when necessary.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public.

Formal budgetary integration is employed as a management control device during the year for the General Fund and Proprietary Funds.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The general fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general and proprietary funds is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
<u>General Fund</u>		
Revenues/Expenditures (GAAP basis)	\$ 6,473,168	\$ 6,143,292
Other financing sources/uses (GAAP basis)	<u>320,886</u>	<u>73,775</u>
Subtotal (GAAP Basis)	6,794,054	6,217,067
Adjust tax revenue to accrual basis	(69,100)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(79,303)
Add end-of-year appropriation carryforwards from expenditures	-	97,493
To record use of fund balance	435,000	-
Other timing differences	3,797,436	3,771,166
To remove unbudgeted capital reserve fund	<u>(47,691)</u>	<u>186,990</u>
Budgetary basis	<u>\$ 10,909,699</u>	<u>\$ 10,193,413</u>

D. Deficit Fund Equity

The following funds reflected deficit balances as of December 31, 2016:

Capital project fund	\$ (187,620)
----------------------	--------------

3. Cash and Short-Term Investments

Custodial credit risk for deposits is the risk that in the event of a bank failure, the deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of a failure of the counterparty (e.g., broker-dealer) 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.

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a town with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." The Town does not have a deposit policy for custodial credit risk.

As of December 31, 2016, \$258,285 of the Town's bank balance of \$7,540,218 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

A. 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. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Presented below (in thousands) is the actual rating as of year-end for each investment of the Town. (All federal agency securities have an implied credit rating of AAA.):

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>
U.S. Treasury notes	\$ 1,676	N/A	\$ 1,676
Federal agency securities	241	N/A	241
Corporate equities	4,287	N/A	4,287
Money markets	1,760	N/A	1,760
Mutual funds	<u>743</u>	N/A	<u>743</u>
Total investments	<u>\$ 8,707</u>		<u>\$ 8,707</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a govern-

ment will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have policies for custodial credit risk.

The Town's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm, which is also the Counterparty to these securities.

C. Concentration of Credit Risk

The Town does not have an investment in one issuer greater than 5% of total investments.

D. 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 does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Fair Value</u>	Investment Maturities (in Years)				<u>N/A</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	
Debt Related Securities:						
U.S. Treasury notes	\$ 1,676	\$ 175	\$ 1,165	\$ 336	\$ -	\$ -
Federal agency securities	241	25	216	-	-	-
Corporate equities	4,287	-	-	-	-	4,287
Money markets	1,760	-	-	-	-	1,760
Mutual funds	743	-	-	-	-	743
Total	<u>\$ 8,707</u>	<u>\$ 200</u>	<u>\$ 1,381</u>	<u>\$ 336</u>	<u>\$ -</u>	<u>\$ 6,790</u>

E. Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. All of the Town's investments are classified as Level 1.

5. Taxes Receivable

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the year for which taxes have been levied. Property taxes billed or collected in advance of the year for which they are levied, are recorded as prepaid tax liability.

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the year for which taxes have been levied. Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs, and accrued interest. The accounts that are lienied by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Taxes receivable at December 31, 2016 consist of the following (in thousands):

Real Estate	
2016	\$ 530
Tax Liens	<u>444</u>
Total	<u>\$ 974</u>

6. Allowance for Doubtful Accounts

The receivables reported in the accompanying entity-wide financial statements reflect the following estimated allowances for doubtful accounts (in thousands):

	<u>Governmental</u>
Property taxes	\$ 97
Other	\$ 7

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in 2016.

8. Interfund Fund Accounts

Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 667,515	\$ 4,324
Sewer Fund	-	2,753
Special Revenue Funds	-	13,229
Capital Project Funds	-	220,008
Trust Funds	<u>4,324</u>	<u>2,450</u>
	671,839	242,764
Water Enterprise Fund	<u>-</u>	<u>429,075</u>
Total	<u>\$ 671,839</u>	<u>\$ 671,839</u>

Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of interfund transfers:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 320,886	\$ 73,775
Sewer Fund	-	50,000
Nonmajor Funds	<u>7,375</u>	<u>278,261</u>
Subtotal Governmental Funds	328,261	402,036
<u>Business-Type Funds:</u>		
Water Fund	<u>73,775</u>	<u>-</u>
Grand Total	<u>\$ 402,036</u>	<u>\$ 402,036</u>

9. Capital Assets

Capital asset activity for the year ended December 31, 2016 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,864	\$ -	\$ -	\$ 8,864
Machinery, equipment, and furnishings	6,384	298	-	6,682
Infrastructure	<u>18,940</u>	<u>363</u>	<u>-</u>	<u>19,303</u>
Total capital assets, being depreciated	34,188	661	-	34,849
Less accumulated depreciation for:				
Buildings and improvements	(6,250)	(281)	-	(6,531)
Machinery, equipment, and furnishings	(2,482)	(224)	-	(2,706)
Infrastructure	<u>(4,157)</u>	<u>(635)</u>	<u>-</u>	<u>(4,792)</u>
Total accumulated depreciation	<u>(12,889)</u>	<u>(1,140)</u>	<u>-</u>	<u>(14,029)</u>
Total capital assets, being depreciated, net	21,299	(479)	-	20,820
Capital assets, not being depreciated:				
Land	735	-	-	735
Construction in progress	<u>175</u>	<u>580</u>	<u>-</u>	<u>755</u>
Total capital assets, not being depreciated	<u>910</u>	<u>580</u>	<u>-</u>	<u>1,490</u>
Governmental activities capital assets, net	<u>\$ 22,209</u>	<u>\$ 101</u>	<u>\$ -</u>	<u>\$ 22,310</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,786	\$ -	\$ -	\$ 8,786
Machinery, equipment, and furnishings	382	-	-	382
Infrastructure	<u>3,445</u>	<u>-</u>	<u>-</u>	<u>3,445</u>
Total capital assets, being depreciated	12,613	-	-	12,613
Less accumulated depreciation for:				
Buildings and improvements	(3,647)	(237)	-	(3,884)
Machinery, equipment, and furnishings	(158)	(19)	-	(177)
Infrastructure	<u>(1,225)</u>	<u>(90)</u>	<u>-</u>	<u>(1,315)</u>
Total accumulated depreciation	<u>(5,030)</u>	<u>(346)</u>	<u>-</u>	<u>(5,376)</u>
Total capital assets, being depreciated, net	7,583	(346)	-	7,237
Capital assets, not being depreciated:				
Land	221	-	-	221
Construction in progress	<u>-</u>	<u>2,294</u>	<u>-</u>	<u>2,294</u>
Total capital assets, not being depreciated	<u>221</u>	<u>2,294</u>	<u>-</u>	<u>2,515</u>
Business-type activities capital assets, net	<u>\$ 7,804</u>	<u>\$ 1,948</u>	<u>\$ -</u>	<u>\$ 9,752</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities:	
General government	\$ 42
Public safety	91
Public works	970
Culture and recreation	<u>37</u>
Total depreciation expense - governmental activities	\$ <u>1,140</u>
Business-Type Activities:	
Water	\$ <u>346</u>
Total depreciation expense - business-type activities	\$ <u>346</u>

10. **Deferred Outflows of Resources**

Deferred outflows of resources represent the consumption of net assets by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets.

The following is a summary of deferred outflow of resources balances, which all relate to the Town's participation in the New Hampshire Retirement System as of December 31, 2016:

	Entity-wide Basis	
	Governmental Activities	Business-type Activities
Differences between expected and actual experience	\$ 14,660	\$ 1,213
Net difference between projected and actual investment earnings	330,028	27,262
Changes in assumptions	649,178	53,626
Changes in proportion and differences between contributions and proportionate share of contributions	186,055	15,369
Contributions subsequent to the measurement date	<u>198,991</u>	<u>16,438</u>
	\$ <u>1,378,912</u>	\$ <u>113,908</u>

11. **Accounts Payable and Accrued Expenses**

Accounts payable and accrued expenses represent 2016 expenditures paid after December 31, 2016.

12. **Due to School District**

The total School District assessments for the period July 1, 2016 through June 30, 2017 were \$7,363,951. The School District assessments are paid in

monthly installments. As of December 31, 2016, a total of \$3,945,378 was paid, leaving a balance of \$3,418,573 to be paid through June 30, 2017.

13. Anticipation Notes Payable

The Town had the following notes outstanding at December 31, 2016:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 12/31/16</u>
River Street and Nelson Circle	N/A	05/09/12	N/A	\$ 262,500
Wastewater asset management and planning	N/A	10/16/15	N/A	100,000
NH DES - Drinking Water State Revolving Loan	N/A	04/13/16	04/13/17	<u>2,781,699</u>
Total				<u>\$ 3,144,199</u>

The following summarizes activity in notes payable during year 2016:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
River Street and Nelson Circle	\$ 262,500	\$ -	\$ -	\$ 262,500
Wastewater asset management and planning	100,000	-	-	100,000
NH DES - Drinking Water State Revolving Loan	<u>2,781,699</u>	<u>-</u>	<u>-</u>	<u>2,781,699</u>
Total	<u>\$ 3,144,199</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,144,199</u>

14. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2020. Future minimum lease payments under the capital and operating leases consisted of the following as of December 31, 2016:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2017	\$ 92,505
2018	92,505
2019	92,504
2020	<u>42,523</u>
Total minimum lease payments	320,037
Less amounts representing interest	<u>20,292</u>
Present Value of Minimum Lease Payments	<u>\$ 299,745</u>

15. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 12/31/16
<u>Governmental Activities:</u>			
Sewer facility upgrade 2002	01/01/23	2.70%	\$ 326,788
Sewer facility upgrade 2005	01/01/25	3.69%	677,812
Pierce Crossing/Hadley Rd bridge	08/15/21	4.69%	175,000
Jaffrey community center	08/15/24	4.38%	110,000
AWWTF construction	02/01/32	0.72%	1,465,439
Sewer tertiary treatment/wood pellet boiler	07/01/32	2.72%	1,199,025
AWWTF construction - refunding	08/15/35	4.00%	6,170,000
Total Governmental Activities:			<u>\$ 10,124,064</u>
<u>Business-Type Activities:</u>			
Water new source/optimization	03/01/30	2.86%	\$ 901,438
Water main bond	01/15/21	5.08%	375,000
River St water mains	10/01/26	2.35%	420,528
Squantum well	10/01/32	0.72%	838,997
Stone arch bridge	08/15/32	3.55%	620,000
Total Business-Type Activities:			<u>\$ 3,155,963</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2016 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 542,129	\$ 254,738	\$ 796,867
2018	550,804	227,036	777,840
2019	564,579	211,869	776,448
2020	578,459	196,379	774,838
2021	597,441	180,395	777,836
2022 - 2026	2,790,499	665,818	3,456,317
2027 - 2031	2,718,044	356,563	3,074,607
2033 - 2036	1,782,109	118,133	1,900,242
Total	<u>\$ 10,124,064</u>	<u>\$ 2,210,931</u>	<u>\$ 12,334,995</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 275,907	\$ 68,788	\$ 344,695
2018	277,257	61,167	338,424
2019	278,511	53,490	332,001
2020	279,640	45,957	325,597
2021	280,611	38,317	318,928
2022 - 2026	998,483	130,021	1,128,504
2027 - 2031	654,069	55,824	709,893
2033 - 2036	111,485	5,653	117,138
Total	<u>\$ 3,155,963</u>	<u>\$ 459,217</u>	<u>\$ 3,615,180</u>

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2016, the following changes occurred in long-term liabilities (in thousands):

	Total Balance 1/1/16	Additions	Reductions	Total Balance 12/31/16	Less Current Portion	Equals Long-Term Portion 12/31/16
<u>Governmental Activities</u>						
Bonds payable	\$ 10,802	\$ -	\$ (678)	\$ 10,124	\$ (542)	\$ 9,582
Other:						
Compensated absences	349	-	(109)	240	(12)	228
Unamortized bond premium	2	-	-	2	(1)	1
Landfill closure	251	-	(36)	215	(36)	179
Capital lease	384	-	(84)	300	(85)	215
Net pension liability	3,789	1,486	-	5,275	-	5,275
Totals	<u>\$ 15,577</u>	<u>\$ 1,486</u>	<u>\$ (907)</u>	<u>\$ 16,156</u>	<u>\$ (676)</u>	<u>\$ 15,480</u>
<u>Business-Type Activities</u>						
Bonds payable	\$ 3,430	\$ -	\$ (274)	\$ 3,156	\$ (276)	\$ 2,880
Other:						
Compensated absences	28	-	(20)	8	-	8
Net pension liability	313	123	-	436	-	436
	<u>\$ 3,771</u>	<u>\$ 123</u>	<u>\$ (294)</u>	<u>\$ 3,600</u>	<u>\$ (276)</u>	<u>\$ 3,324</u>

16. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, the Town reports a portion of these closure and postclosure care costs as a liability in the financial statements in each period based on landfill the Town used as of each balance sheet date.

The landfill was closed in 1992. The \$214,800 reported as landfill closure and postclosure care liability at December 31, 2016 represents that cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. These amounts are based on what it would cost to perform all closure and postclosure care in 2016. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

17. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

Deferred inflows reported in governmental funds all relate to unearned tax, utility, and other revenues.

The following is a summary of entity-wide deferred inflow of resources balances, which all relate to the Town's participation in the New Hampshire Retirement System, as of December 31, 2016:

	<u>Entity-wide Basis</u>	
	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Pension related:		
Differences between expected and actual experience	\$ 66,610	\$ 5,502
Changes in proportion and differences between pension contributions and proportionate share of contributions	<u>78,816</u>	<u>6,511</u>
	<u>\$ 145,426</u>	<u>\$ 12,013</u>

18. Restricted Net Position

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

19. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at December 31, 2016:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, capital reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned - Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at December 31, 2016:

	General Fund	Sewer Major Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Prepaid expenses	\$ 146,387	\$ -	\$ -	\$ 146,387
Nonexpendable permanent funds	-	-	1,391,117	1,391,117
Special revenue funds	-	-	30,417	30,417
Sewer prepaid	-	178,604	-	178,604
Total Nonspendable	146,387	178,604	1,421,534	1,746,525
Restricted				
Sewer	-	505,969	-	505,969
Special revenue funds	-	-	1,120,740	1,120,740
Expendable permanent funds	-	-	376,357	376,357
Special revenue expendable trust	-	-	97,037	97,037
Total Restricted	-	505,969	1,594,134	2,100,103
Committed				
Capital reserve funds	957,348	-	-	957,348
Capital project funds	-	-	58,267	58,267
Total Committed	957,348	-	58,267	1,015,615
Assigned				
Encumbrances				
General government	29,718	-	-	29,718
Public safety	15,558	-	-	15,558
Public works	34,776	7,469	-	42,245
Sanitation	15,519	-	-	15,519
Conservation	500	-	-	500
Capital outlay	1,422	-	-	1,422
Total Assigned	97,493	7,469	-	104,962
Unassigned				
General fund unassigned	2,238,289	-	-	2,238,289
Capital project funds	-	-	(187,620)	(187,620)
Total Unassigned	2,238,289	-	(187,620)	2,050,669
Total Fund Balance	\$ 3,439,517	\$ 692,042	\$ 2,886,315	\$ 7,017,874

20. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in respect to how undesignated fund balance is reported in accordance with the budgetary basis for reporting for the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire considers revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$ 2,238,289
Deferred inflows	691,640
Other GAAP differences	<u>268,161</u>
Statutory Basis	<u>\$ 3,198,090</u>

21. **Commitments and Contingencies**

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

22. **Retirement System**

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the State of New Hampshire Retirement System (NHRS).

A. **Plan Description**

Full-time employees participate in the New Hampshire Retirement System (NHRS), a cost sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

B. Benefits Provided

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

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

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

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and teachers 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 11.17% to 29.16% of covered compensation. The Town's contributions to NHRS for the year ended December 31, 2016 was \$384,550, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

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 NHRS and additions to/deductions from NHRS' fiduciary net position have been determined on the same basis as they are reported by NHRS. For this pur-

pose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

E. 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 \$5,710,698 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 an actuarial valuation as of June 30, 2015. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Town's proportion was .1074 percent.

For the year ended December 31, 2016, the Town recognized pension expense of \$650,275. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 15,873	\$ 72,112
Changes of assumptions	702,804	-
Net difference between projected and actual earnings on pension plan investments	357,290	-
Changes in proportion and differences between contributions and proportionate share of contributions	201,424	85,327
Contributions subsequent to the measurement date	<u>215,429</u>	<u>-</u>
Total	<u>\$ 1,492,820</u>	<u>\$ 157,439</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2016. Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2017	\$ 260,447
2018	260,447
2019	402,233
2020	353,582
2021	<u>58,672</u>
Total	<u>\$ 1,335,381</u>

F. Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent per year
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-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for woman for mortality improvements.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study, which was for the period January 1, 2010 – December 31, 2015.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Weighted Average Average Long- Term Expected Real Rate of Return</u>
Large Cap Equities	22.50 %	4.25%
Small/Mid Cap Equities	7.50	4.50%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.75%
Emerging Int'l Equities	7.00	6.25%
Total international equities	20.00	
Core Bonds	5.00	0.64%
Short Duration	2.00	-0.25%
Global Multi-Sector Fixed Income	11.00	1.71%
Unconstrained Fixed Income	7.00	1.08%
Total fixed income	25.00	
Private equity	5.00	6.25%
Private debt	5.00	4.75%
Real estate	10.00	3.68%
Opportunistic	5.00	3.25%
Total alternative investments	25.00	
Total	100.00 %	

G. Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

H. Sensitivity of the 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 (6.25%) or 1 percentage-point higher (8.25%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
June 30, 2016	\$ 7,337,857	\$ 5,710,698	\$ 4,361,226

I. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued NHRS financial report.

23. Post-Employment Healthcare and Life Insurance Benefits

In July 2004, the Governmental Accounting Standards Board (GASB) issued Statement No. 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, which requires governmental employers that provide employees with post-employment benefits other than pension benefits to measure, recognize, and display the value of these benefits in their financial statements.

The Town participates in a community-rated insurance plan in which the premium rates reflect the health claim experience of all participating employers. As a result, it is appropriate for the Town to use the unadjusted premium as a basis for projecting retiree benefit costs. Since the Town does not currently provide direct other post-employment benefits to its retirees, the Town does not have an OPEB liability at December 31, 2016.

24. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Town carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three years.

TOWN OF JAFFREY, NEW HAMPSHIRE
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2016
(Unaudited)

New Hampshire Retirement System					
<u>Fiscal Year</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2016	0.1074%	\$5,710,698	\$ 2,793,907	204.40%	58.30%
June 30, 2015	0.1036%	\$4,102,455	\$ 1,212,471	338.35%	65.47%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available

See Independent Auditors' Report.

TOWN OF JAFFREY, NEW HAMPSHIRE

**SCHEDULE OF PENSION CONTRIBUTIONS
REQUIRED SUPPLEMENTARY INFORMATION**

**DECEMBER 31, 2016
(Unaudited)**

New Hampshire Retirement System					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2016	\$ 384,550	\$ (384,550)	\$ -	\$ 2,793,907	13.76%
June 30, 2015	\$ 364,277	\$ (364,277)	\$ -	\$ 1,212,471	30.04%

Schedules are intended to show information for 10 years. Additional years will be displayed as they become available

See Independent Auditors' Report.