

TOWN OF STODDARD, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended June 30, 2016

Town of Stoddard, New Hampshire

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Stoddard, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Stoddard, New Hampshire, as of and for the year ended June 30, 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

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 (1) adverse audit opinion on the governmental activities, and (2) unmodified audit opinions on the major fund and aggregate remaining fund information.

Basis for Adverse Opinion on Governmental Activities

Management has not included any of the Town's capital assets acquired, nor the accumulated depreciation and depreciation expense related to those assets in the governmental activities. Accounting principles generally accepted in the United States of America require that those capital assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Adverse Opinion on Governmental Activities

In our opinion, because of the effects of the matter described in the Basis for Adverse Opinion paragraph on the governmental activities, the financial statements referred to above do not present fairly, in all material respects, the respective financial position of the governmental activities of the Town of Stoddard, New Hampshire, as of June 30, 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.

Opinion on Major Fund and Aggregate Remaining Fund Information

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Town of Stoddard, New Hampshire, as of June 30, 2016, and the respective changes in financial position where applicable 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 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

March 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Stoddard, New Hampshire, we offer readers this narrative overview and analysis of the financial activities of the Town of Stoddard, New Hampshire for the fiscal year ended June 30, 2016.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to basic financial statements. The basic financial statements comprise 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 fiscal 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 fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities include general government, public safety, highways and streets, sanitation, health and human service, welfare, culture and recreation, and conservation.

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 two categories: governmental 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 fiscal 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.

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.

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 fiscal year, the total of assets exceeded liabilities by \$420,232 (i.e., net position), a change of \$(2,974) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$262,976, a change of \$47,852 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$36,858, a change of \$4,267 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 fiscal year.

NET POSITION

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Current and other assets	\$ <u>1,553,080</u>	\$ <u>1,750,256</u>
Total assets	1,553,080	1,750,256
Current liabilities	51,069	7,873
Deferred inflows	<u>1,081,779</u>	<u>1,319,177</u>
Total liabilities and deferred inflows	1,132,848	1,327,050
Net position:		
Restricted	79,138	70,914
Unrestricted	<u>341,094</u>	<u>352,292</u>
Total net position	\$ <u><u>420,232</u></u>	\$ <u><u>423,206</u></u>

CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 19,592	\$ 17,953
Operating grants and contributions	5,246	469
General revenues:		
Property taxes	811,950	794,404
Motor vehicle taxes	235,159	228,978
Penalties and interest on taxes	40,476	42,507
Grants and contributions not restricted		
to specific programs	97,546	93,754
Investment income	3,512	7,153
Miscellaneous revenue	<u>34,616</u>	<u>5,580</u>
Total revenues	1,248,097	1,190,798

(continued)

(continued)

CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Expenses:		
General government	353,133	461,663
Public safety	226,003	202,729
Highway and streets	200,740	201,748
Sanitation	189,166	174,936
Health and human services	8,270	8,261
Welfare	1,779	3,703
Culture and recreation	256,550	57,071
Conservation	15,430	1,250
Interest expense	-	3,255
Total expenses	<u>1,251,071</u>	<u>1,114,616</u>
Change in net position	(2,974)	76,182
Net position - beginning of year	<u>423,206</u>	<u>347,024</u>
Net position - end of year	<u>\$ 420,232</u>	<u>\$ 423,206</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 \$420,232, a change of \$(2,974) from the prior year.

The largest portion of net position, \$341,094, represents resources that may be used to meet the government's ongoing obligations to citizens and creditors. The remaining balance of restricted net position, \$79,138, represents resources that are subject to external restrictions on how they may be used.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(2,974). Key elements of this change are as follows:

General fund operating results, as discussed further in Section D	\$ 39,433
Non-major funds operating results	8,419
Other GAAP accruals	<u>(50,826)</u>
Total	<u>\$ (2,974)</u>

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 fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$262,976, a change of \$47,852 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 39,433
Non-major funds operating results	<u>8,419</u>
Total	<u><u>\$ 47,852</u></u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$36,858, while total fund balance was \$183,838. 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>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 36,858	\$ 32,591	\$ 4,267	3.0%
Total fund balance	\$ 183,838	\$ 144,405	\$ 39,433	14.8%

The fund balance of the general fund changed by \$39,433 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 42,501
Expenditures less than budget	(1,840)
Tax collections compared to budget	61,671
Prior year encumbrances in excess of current year	2,632
Use of fund balance as a funding source	(89,500)
Change in capital reserves	31,372
Other	<u>(7,403)</u>
Total	<u><u>\$ 39,433</u></u>

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

	<u>6/30/16</u>	<u>6/30/15</u>	<u>Change</u>
Capital Reserve	\$ <u>127,226</u>	\$ <u>95,854</u>	\$ <u>31,372</u>
Total	\$ <u><u>127,226</u></u>	\$ <u><u>95,854</u></u>	\$ <u><u>31,372</u></u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Stoddard'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:

Office of Town Administrator
Town of Stoddard
1450 Route 123 North
Stoddard, New Hampshire 03464

TOWN OF STODDARD, NEW HAMPSHIRE

STATEMENT OF NET POSITION

JUNE 30, 2016

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 1,222,285
Investments	117,419
Restricted cash	52,070
Receivables, net of allowance for uncollectibles:	
User fees	6,190
Other assets	32,681
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	<u>122,435</u>
TOTAL ASSETS	1,553,080
LIABILITIES	
Current:	
Accounts payable	35,614
Accrued expenses	7,403
Other current liabilities	8,052
DEFERRED INFLOWS OF RESOURCES	<u>1,081,779</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	1,132,848
NET POSITION	
Restricted for:	
Special purposes	19,949
Permanent funds	
Nonexpendable	35,339
Expendable	23,850
Unrestricted	<u>341,094</u>
TOTAL NET POSITION	\$ <u><u>420,232</u></u>

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

TOWN OF STODDARD, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2016

		<u>Program Revenues</u>		<u>Net (Expenses) Revenues and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
General government	\$ 353,133	\$ 17,880	\$ -	\$ (335,253)
Public safety	226,003	1,712	-	(224,291)
Highway and streets	200,740	-	-	(200,740)
Sanitation	189,166	-	-	(189,166)
Health and human services	8,270	-	-	(8,270)
Welfare	1,779	-	-	(1,779)
Culture and recreation	256,550	-	5,246	(251,304)
Conservation	15,430	-	-	(15,430)
Total	<u>\$ 1,251,071</u>	<u>\$ 19,592</u>	<u>\$ 5,246</u>	(1,226,233)
		General Revenues:		
				811,950
				235,159
				40,476
				97,546
				3,512
				34,616
				<u>1,223,259</u>
				Change in Net Position (2,974)
		Net Position:		
				<u>423,206</u>
				<u>\$ 420,232</u>

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

TOWN OF STODDARD, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2016

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 1,186,924	\$ 35,361	\$ 1,222,285
Investments	75,156	42,263	117,419
Restricted cash	52,070	-	52,070
Property taxes receivable	137,120	-	137,120
Due from other funds	-	1,514	1,514
Prepays	<u>4,050</u>	<u>-</u>	<u>4,050</u>
TOTAL ASSETS	<u>\$ 1,455,320</u>	<u>\$ 79,138</u>	<u>\$ 1,534,458</u>
LIABILITIES			
Accounts payable	\$ 35,614	\$ -	\$ 35,614
Due to other funds	1,514	-	1,514
Due to school district	-	-	-
Accrued liabilities	7,403	-	7,403
Other liabilities	<u>8,052</u>	<u>-</u>	<u>8,052</u>
TOTAL LIABILITIES	52,583	-	52,583
DEFERRED INFLOWS OF RESOURCES	1,218,899	-	1,218,899
FUND BALANCES			
Nonspendable	4,050	35,339	39,389
Restricted	-	43,799	43,799
Committed	127,226	-	127,226
Assigned	15,704	-	15,704
Unassigned	<u>36,858</u>	<u>-</u>	<u>36,858</u>
TOTAL FUND BALANCES	<u>183,838</u>	<u>79,138</u>	<u>262,976</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 1,455,320</u>	<u>\$ 79,138</u>	<u>\$ 1,534,458</u>

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

TOWN OF STODDARD, NEW HAMPSHIRE

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

JUNE 30, 2016

Total governmental fund balances	\$ 262,976
• Tax deeded properties are recognized on the Statement of Net Position	28,631
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	122,435
• Long-term mortgage receivables are recognized on the Statement of Net Position	<u>6,190</u>
Net position of governmental activities	<u>\$ 420,232</u>

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

TOWN OF STODDARD, NEW HAMPSHIRE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2016

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 899,625	\$ -	\$ 899,625
Charges for services	2,858	-	2,858
Intergovernmental	96,692	5,246	101,938
Licenses and permits	251,893	-	251,893
Investment income	2,516	996	3,512
Miscellaneous	36,729	2,368	39,097
	<hr/>	<hr/>	<hr/>
Total Revenues	1,290,313	8,610	1,298,923
Expenditures:			
Current:			
General government	352,813	320	353,133
Public safety	192,851	-	192,851
Highway and streets	200,740	-	200,740
Sanitation	189,166	-	189,166
Health and human services	8,270	-	8,270
Welfare	1,779	-	1,779
Culture and recreation	38,454	5,728	44,182
Conservation	15,430	-	15,430
Capital outlay	245,520	-	245,520
	<hr/>	<hr/>	<hr/>
Total Expenditures	1,245,023	6,048	1,251,071
Excess (deficiency) of revenues over expenditures	45,290	2,562	47,852
Other Financing Sources (Uses):			
Transfers in	303	6,160	6,463
Transfers out	(6,160)	(303)	(6,463)
Total Other Financing Sources (Uses)	<hr/> (5,857) <hr/>	<hr/> 5,857 <hr/>	<hr/> - <hr/>
Excess (deficiency) of revenues and other sources over expenditures and other uses	39,433	8,419	47,852
Fund Equity, at Beginning of Year	<hr/> 144,405 <hr/>	<hr/> 70,719 <hr/>	<hr/> 215,124 <hr/>
Fund Equity, at End of Year	<hr/> \$ 183,838 <hr/>	<hr/> \$ 79,138 <hr/>	<hr/> \$ 262,976 <hr/>

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

TOWN OF STODDARD, 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 JUNE 30, 2016

Net changes in fund balances - total governmental funds	\$ 47,852
<ul style="list-style-type: none">• The recording of tax deeded properties to be sold in future periods. (22,565)• 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) differs between the two statements. This amount represents the net change in deferred revenue. (24,634)• Some expenses reported in the Statement of Activities, such as allowance for doubtful accounts, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. <u>(3,627)</u>	
Change in net position of governmental activities	\$ <u><u>(2,974)</u></u>

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

TOWN OF STODDARD, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>		
Revenues and Other Sources:				
Taxes	\$ 797,478	\$ 797,478	\$ 797,478	\$ -
Interest, penalties and other taxes	31,000	31,000	40,476	9,476
Charges for service	251,700	251,700	251,893	193
Licenses and permits	2,950	2,950	2,858	(92)
Intergovernmental	95,519	95,519	96,692	1,173
Investment income	750	750	1,144	394
Miscellaneous	5,175	5,175	36,729	31,554
Transfers in	500	500	303	(197)
Use of fund balance	<u>89,500</u>	<u>89,500</u>	<u>89,500</u>	<u>-</u>
Total Revenues and Other Sources	1,274,572	1,274,572	1,317,073	42,501
Expenditures and Other Uses:				
General government	350,943	350,943	345,410	5,533
Public safety	165,030	165,030	192,851	(27,821)
Highway and streets	222,700	222,700	200,740	21,960
Sanitation	188,423	188,423	189,166	(743)
Health and human services	8,473	8,473	8,270	203
Welfare	6,450	6,450	1,779	4,671
Culture and recreation	29,402	29,402	38,454	(9,052)
Conservation	17,150	17,150	15,430	1,720
Debt service	1	1	-	1
Capital outlay	256,000	256,000	248,152	7,848
Transfers out	<u>30,000</u>	<u>30,000</u>	<u>36,160</u>	<u>(6,160)</u>
Total Expenditures and Other Uses	<u>1,274,572</u>	<u>1,274,572</u>	<u>1,276,412</u>	<u>(1,840)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>40,661</u>	\$ <u>40,661</u>

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

TOWN OF STODDARD, NEW HAMPSHIRE
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2016

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and short-term investments	\$ 373,786
Investments	<u>110,894</u>
Total Assets	484,680
 <u>LIABILITIES AND NET POSITION</u>	
Other liabilities	<u>484,680</u>
Total Liabilities	<u>484,680</u>
 <u>NET POSITION</u>	
Total net position held in trust	\$ <u><u>-</u></u>

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

TOWN OF STODDARD, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Stoddard (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units, except as indicated in Note 2. 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.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 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 are the 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 fiscal 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.

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 and permanent 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.

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 certificates of deposit and annuity 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 fiscal year are referred to as either "due from/to other funds" (i.e., the current portion of interfund loans).

G. Prepays

Prepays represent resources that have been expensed in the current period and will be utilized in the subsequent period.

H. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

I. 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/deferred inflows. 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., the 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 fiscal 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 and liabilities/deferred inflows. 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.

J. 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 fiscal year. Actual results could vary from estimates that were used.

2. Departures from Generally Accepted Accounting Principles

The significant departures of the financial statements from generally accepted accounting principles are as follows:

Capital asset acquisitions are not capitalized in the governmental activities, nor is depreciation expense recorded on these assets. This is a departure from generally accepted accounting principles of the United States of America.

3. 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. The budget is then reviewed by the Budget Committee acting as an advisory board to the Selectmen. After reviewing the budget, the Selectmen's office 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.

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 fund 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.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 1,290,313	\$ 1,245,023
Other financing sources/uses (GAAP basis)	<u>303</u>	<u>6,160</u>
Subtotal (GAAP Basis)	1,290,616	1,251,183
Adjust tax revenue to accrual basis	(61,671)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(13,072)
Add end-of-year appropriation carryforwards from expenditures	-	15,704
Recognize use of fund balance as funding source	89,500	-
To eliminate capital reserve activity	(1,372)	30,000
GAAP timing differences	<u>-</u>	<u>(7,403)</u>
Budgetary basis	<u>\$ 1,317,073</u>	<u>\$ 1,276,412</u>

4. 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 June 30, 2016, \$180,729 of the Town's bank balance of \$1,733,233 was exposed to custodial credit risk as uninsured, uncollateralized or collateral held by pledging bank's trust department not in the Town's name. This amount is associated with the Town's trust fund accounts.

5. 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 is the actual rating as of year-end for each investment of the Town:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>
Certificates of deposits	\$ 64,599	N/A	\$ 64,599
Annuities	<u>163,714</u>	N/A	<u>163,714</u>
Total investments	\$ <u>228,313</u>		\$ <u>228,313</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 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 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. The Town manages this custodial credit risk with SIPC and excess SIPC.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are as follows:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Banker's Life & Casualty	\$ 163,714	69%
TD Bank	44,703	19%
Savings Bank of Walpole	<u>19,896</u>	8%
Total	\$ <u>228,313</u>	

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:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Debt Related Securities:				
Certificates of deposit	\$ 64,599	\$ 44,703	\$ 19,896	\$ -
Annuities	<u>163,714</u>	<u>-</u>	<u>10,000</u>	<u>153,714</u>
Total	<u>\$ 228,313</u>	<u>\$ 44,703</u>	<u>\$ 29,896</u>	<u>\$ 153,714</u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk.

F. 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.

The Town has the following fair value measurements as of June 30, 2016:

<u>Description</u>	<u>Fair Value Measurements Using:</u>	
	<u>Significant unobservable inputs (Level 3)</u>	
Investments by fair value level:		
Annuity	\$ 163,714	\$ 163,714

6. Restricted Cash

Restricted cash represents capital reserve funds held by the trustees of trust funds as of June 30, 2016.

7. Property Taxes Receivable

The Town bills property taxes semiannually, in May and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied to the extent that they become available, i.e., due or receivable, within the current fiscal year and collected within the current period or within 60 days of year-end.

Property taxes billed or collected in advance of the year for which they are levied are recorded as a prepaid tax liability, as they are intended to finance the subsequent year's budget.

The Government annually raises, through tax levy, an amount (overlay for abatements) for property tax abatements and interest refunds. All abatements and interest refunds are charged to overlay.

Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. In April of the next year, a lien is recorded on the 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 liened 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%. If the unredeemed tax liens are not paid within two years and one day of the tax lien date, the property could be conveyed to the Town by deed and subsequently sold at public sale.

Taxes receivable at June 30, 2016 consist of the following:

Tax Liens	\$ <u>137,120</u>
Total	\$ <u><u>137,120</u></u>

Taxes Collected for Others

The Town collects property taxes for Stoddard School District, the County of Cheshire and Granite Lake Village District. Payments to the other taxing units are normally made throughout the year. The ultimate responsibility for the collection of taxes rests with the Town.

8. Allowance for Doubtful Accounts

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

	<u>Governmental</u>
Property taxes	\$ 14,865

9. 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 the June 30, 2016 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ -	\$ 1,514
Special Revenue Funds	956	-
Permanent Funds	<u>558</u>	<u>-</u>
Total	<u>\$ 1,514</u>	<u>\$ 1,514</u>

10. 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.

The following is a summary of deferred inflow of resources balances as of June 30, 2016:

	<u>Entity-wide Basis Governmental Activities</u>	<u>Fund Basis Governmental Funds General Fund</u>
Unavailable revenues	\$ -	\$ 137,120
Taxes collected in advance	1,081,779	1,081,779
Total	<u>\$ 1,081,779</u>	<u>\$ 1,218,899</u>

11. **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.

12. **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 June 30, 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, special purpose 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, surplus set aside to be used in the subsequent year's budget, and sale of land proceeds to be used for remaining debt payments on the Conservation land bond that funded the purchase of the property.

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

Following is a breakdown of the Town's fund balances at June 30, 2016:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Prepaid expenditures	\$ 4,050	\$ -	\$ 4,050
Nonexpendable permanent funds	<u>-</u>	<u>35,339</u>	<u>35,339</u>
Total Nonexpendable	4,050	35,339	39,389
Restricted			
Special revenue funds	-	19,949	19,949
Expendable permanent funds	<u>-</u>	<u>23,850</u>	<u>23,850</u>
Total Restricted	-	43,799	43,799
Committed			
Capital reserve funds	<u>127,226</u>	<u>-</u>	<u>127,226</u>
Total Committed	127,226	-	127,226
Assigned			
Encumbrances	<u>15,704</u>	<u>-</u>	<u>15,704</u>
Total Assigned	15,704	-	15,704
Unassigned			
Unassigned	<u>36,858</u>	<u>-</u>	<u>36,858</u>
Total Unassigned	<u>36,858</u>	<u>-</u>	<u>36,858</u>
Total Fund Balance	<u>\$ 183,838</u>	<u>\$ 79,138</u>	<u>\$ 262,976</u>

13. 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 unassigned 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	\$	36,858
Unavailable revenues		137,120
Other GAAP differences		4,378
Tax deeded property		28,631
Accrued payroll		<u>7,403</u>
Tax Rate Setting Balance	\$	<u><u>214,390</u></u>

14. Commitments and Contingencies

Outstanding Legal Issues – On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town’s management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

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.

15. 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 fiscal years.