

TOWN OF WARNER, NEW HAMPSHIRE

Financial Statements

December 31, 2017

and

Independent Auditor's Report

**TOWN OF WARNER, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2017**

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FINANCIAL STATEMENTS
December 31, 2017**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Warner, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Warner, New Hampshire (the Town), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on Governmental Activities

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

Adverse Opinion

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on Governmental Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town of Warner, New Hampshire, as of December 31, 2017, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Town of Warner, New Hampshire, as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, schedule of changes in the Town’s proportionate share of the net pension liability, and schedule of Town contributions on pages i-vi and 29-33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

nonmajor fund and fiduciary fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

A handwritten signature in black ink that reads "Jackson Dubay & Company PC". The signature is written in a cursive, flowing style.

Manchester, New Hampshire
November 27, 2018

**TOWN OF WARNER, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2017**

The following is a discussion and analysis of the financial activities of the Town of Warner, New Hampshire for the year ending December 31, 2017. Readers are encouraged to consider the information presented here in conjunction with the Town's financial statements.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to most private-sector companies.

The **Statement of Net Position** presents information on all of the Town's (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The **Statement of Activities** presents information showing how the Town's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future periods (such as uncollected taxes and interest on long-term obligations).

Fund Financial Statements

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

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

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the Town's major governmental fund and includes a reconciliation between the reported activity of the revenues, expenditures and transfers for budgetary purposes (Schedule 1) and the activity as presented in the governmental fund financial statements (Exhibit D). The Town's only major governmental fund for 2017 with an adopted budget is the General Fund.

This section also includes a schedule of changes in the Town's proportionate share of the net pension liability and a schedule of Town contributions to the New Hampshire Retirement System.

Other Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

Net position of the Town of Warner as of December 31, 2017 and 2016 is as follows:

	<u>2017</u>	<u>2016</u>
Current assets	\$ 5,067,880	\$ 4,886,983
Capital assets	<u>9,681,707</u>	<u>8,954,332</u>
Total assets	<u>14,749,587</u>	<u>13,841,315</u>
Deferred outflows of resources	<u>342,544</u>	<u>345,626</u>
Long-term liabilities	2,304,462	2,043,857
Other liabilities	<u>2,075,807</u>	<u>2,240,686</u>
Total liabilities	<u>4,380,269</u>	<u>4,284,543</u>
Deferred inflows of resources	<u>157,060</u>	<u>91,780</u>
Net position:		
Net investment in capital assets	9,012,996	8,474,072
Restricted	425,797	407,465
Unrestricted	<u>1,116,009</u>	<u>929,081</u>
Total net position	<u>\$ 10,554,802</u>	<u>\$ 9,810,618</u>

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

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

Statement of Activities

The Town's net position increased by \$744,184 during the current year. Total revenues of \$4,269,086 exceeded expenses of \$3,524,902.

Changes in net position for the years ending December 31, 2017 and 2016 are as follows:

	<u>2017</u>	<u>2016</u>
Revenues		
Program revenues:		
Charges for services	\$ 108,981	\$ 98,608
Operating grants and contributions	241,373	174,937
Capital grants and contributions	255,277	701,576
General revenues:		
Property and other taxes	2,677,272	2,557,274
Licenses and permits	524,723	505,634
Grants and contributions	151,344	150,549
Interest and investment earnings	33,242	20,291
Miscellaneous	62,060	95,168
Contributions to permanent fund principal	800	1,000
Gain on disposal of capital assets	<u>214,014</u>	<u> </u>
Total revenues	<u>4,269,086</u>	<u>4,305,037</u>

	<u>2017</u>	<u>2016</u>
Expenses		
General government	817,832	794,578
Public safety	845,703	868,128
Highways and streets	1,247,473	1,223,689
Sanitation	282,783	259,074
Health and welfare	36,481	25,374
Culture and recreation	278,822	261,038
Conservation	1,607	1,669
Interest and fiscal charges	14,201	10,472
Total expenses	<u>3,524,902</u>	<u>3,444,022</u>
Change in net position	744,184	861,015
Net position, beginning of year	9,810,618	8,877,185
Restatement		72,418
Net position, end of year	<u>\$ 10,554,802</u>	<u>\$ 9,810,618</u>

Property and other taxes brought in \$2,677,272 in revenues. Licenses and permits generated \$524,723 in revenues. Other revenues consisted of charges for services, grants, contributions, interest and investment earnings, and miscellaneous revenues. Revenue from capital grants and contributions decreased from \$701,576 in 2016 to \$255,277 in 2017. This reduction in recognized revenue is applicable to the Exit 9 project being substantially completed in 2016, of which 2/3 was funded by the State. Total revenues recognized during the year ended December 31, 2017 decreased from the previous year by \$35,951 or 0.84%.

The Town's expenses cover a range of services. The largest expenses were for highways and streets (35.39%), public safety (23.99%), and general government (23.20%), which accounted for 82.58% of total expenses. Total expenses recognized during the year ended December 31, 2017 increased from the previous year by \$80,880 or 2.35%.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

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

General Fund

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had a total fund balance of \$2,206,149. A detail of the fund balance components at year end are detailed on page 26 of the Notes to the Basic Financial Statements.

The General Fund balance increased \$302,468 from December 31, 2016. A decrease in fund balance was anticipated as the Town applied \$100,000 of its unassigned fund balance to reduce taxes and an additional \$102,000 was voted to be used from fund balance to offset approved appropriations at the 2017 annual Town meeting.

Nonmajor Governmental Funds

The total fund balance of \$474,323 in the nonmajor governmental funds is designated for the purposes of the individually established fund. The largest portion of this total represents the balance in the Permanent Funds (\$186,072 or 39.23%), Conservation Commission Fund (\$141,182 or 29.76%), and the Chandler Reservation Fund (\$112,951 or 23.81%).

The total fund balance in the other governmental funds decreased by \$2,039 from December 31, 2016.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

During the year, the original estimated revenues increased by \$249,428 as a result of unanticipated income accepted under RSA 31:95b. Actual revenues and other financing sources on the budgetary basis exceeded the budgeted amount by \$121,561 or 3.22%.

During the year, the original budgeted appropriations increased by \$249,428. This increase is the result of unanticipated income accepted under RSA 31:95b. The Town under expended its budget by \$115,580 or 2.91%. Demonstrating fiscal restraint, town officials were able to manage the town's business under budget. The key areas of savings resulted within public safety and highways and streets.

CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital Assets

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

The Town's investment in capital assets for its governmental activities as of December 31, 2017 amounts to \$14,303,693. Accumulated depreciation amounts to \$4,621,986, leaving a net book value of \$9,681,707. This investment in capital assets includes equipment and real property. Significant additions to capital assets during 2017 include the Solar Array, a Caterpillar loader, and the replacement of the destroyed fire truck with insurance proceeds.

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

Long-Term Obligations

At December 31, 2017, the Town of Warner had two outstanding notes payable on the fire truck and Solar Array for a combined total of \$468,667 and a capital lease payable on the highway grader for \$200,044.

Long-term obligations at year end also include the Town's proportionate share of the net pension liability. As of December 31, 2017, the Town's net pension liability is \$1,579,022.

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

ECONOMIC CONDITIONS

The strong and stable financial condition that Warner has maintained over the last few years has provided the Town the capacity to manage the long-term debt required for the construction of the new Warner fire station. The Board of Selectmen and Budget Committee have continued to work together to keep the town portion of the tax rate at constant levels while maintaining and improving the quality of town services. This has been done with a combination of responsible budgeting, securing federal and state grant opportunities for major projects and utilizing unassigned general funds to apply toward mitigating the town tax rate. The Town has completed several energy conservation efforts including conversion to LED lighting in town buildings and the development of two solar arrays, to address the growing cost of energy.

The Planning Board continues to annually update the Capital Improvements Plan (CIP) so that the Selectmen and Budget Committee can engage in prudent planning for future capital needs and explore financing alternatives to purchasing 'big-ticket' equipment, such as leasing programs.

The Board of Selectmen in recognizing the need for viable economic development in town, formed an Economic Development Advisory Committee (EDAC) that is coordinating with local business organizations, state agencies and the regional planning commission to effectively promote Warner as a strong, viable community in which businesses can expand and prosper. The EDAC is currently working on a redesign of the town website to expand its services and improve ease of use.

The opening of a 10,000 sq. foot State Liquor Store and the expansion of Aubuchon Hardware in the Intervale district demonstrates the potential vitality of commercial development in Warner. The Board of Selectmen with assistance from other town committees and dedicated volunteers will continue to improve the economic and job potential for the citizens of Warner while preserving the special quality of life enjoyed by all who call Warner 'Home'.

REQUESTS FOR INFORMATION

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

EXHIBIT A
TOWN OF WARNER, NEW HAMPSHIRE
Statement of Net Position
December 31, 2017

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 2,621,031
Investments	1,629,394
Taxes receivable, net	480,974
Accounts receivable	1,859
Due from other governments	334,622
Total Current Assets	<u>5,067,880</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	1,920,617
Depreciable capital assets, net	7,761,090
Total Noncurrent Assets	<u>9,681,707</u>
Total Assets	<u>14,749,587</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources attributable to net pension liability	342,544
Total Deferred Outflows of Resources	<u>342,544</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	208,977
Accrued expenses	64,942
Deposits	4,000
Due to other governments	1,706,443
Current portion of notes payable	38,823
Current portion of capital lease payable	38,248
Current portion of compensated absences	8,374
closure and postclosure care costs	6,000
Total Current Liabilities	<u>2,075,807</u>
Noncurrent Liabilities:	
Notes payable	429,844
Capital lease payable	161,796
Compensated absences	79,800
Estimated liability for landfill closure and postclosure	
care costs	54,000
Net pension liability	1,579,022
Total Noncurrent Liabilities	<u>2,304,462</u>
Total Liabilities	<u>4,380,269</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources attributable to net pension liability	93,911
Property taxes collected in advance	63,149
Total Deferred Inflows of Resources	<u>157,060</u>
NET POSITION	
Net investment in capital assets	9,012,996
Restricted	425,797
Unrestricted	1,116,009
Total Net Position	<u>\$ 10,554,802</u>

See accompanying notes to the basic financial statements

EXHIBIT B
TOWN OF WARNER, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2017

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
General government	\$ 817,832	\$ 30,596		\$ 108,205	\$ (679,031)
Public safety	845,703	9,712			(835,991)
Highways and streets	1,247,473		\$ 241,373	147,072	(859,028)
Sanitation	282,783	49,598			(233,185)
Health and welfare	36,481				(36,481)
Culture and recreation	278,822	19,075			(259,747)
Conservation	1,607				(1,607)
Interest and fiscal charges	14,201				(14,201)
Total governmental activities	<u>\$ 3,524,902</u>	<u>\$ 108,981</u>	<u>\$ 241,373</u>	<u>\$ 255,277</u>	<u>(2,919,271)</u>
General revenues:					
Property and other taxes					2,677,272
Licenses and permits					524,723
Grants and contributions:					
Rooms and meals tax distribution					148,869
State and federal forest land reimbursement					2,475
Interest and investment earnings					33,242
Miscellaneous					62,060
Contributions to permanent fund principal					800
Gain on disposal of capital assets					214,014
Total general revenues, contributions to permanent fund principal, and gain on disposal of capital assets					<u>3,663,455</u>
Change in net position					744,184
Net position - beginning, as restated					9,810,618
Net position - ending					<u>\$ 10,554,802</u>

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF WARNER, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,448,241	\$ 172,790	\$ 2,621,031
Investments	1,338,978	290,416	1,629,394
Taxes receivable, net	480,974		480,974
Accounts receivable	1,859		1,859
Due from other governments	291,352	43,270	334,622
Due from other funds		32,782	32,782
Total Assets	<u>4,561,404</u>	<u>539,258</u>	<u>5,100,662</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Assets and Deferred Outflows of Resources	<u>\$ 4,561,404</u>	<u>\$ 539,258</u>	<u>\$ 5,100,662</u>
LIABILITIES			
Accounts payable	\$ 144,042	\$ 64,935	\$ 208,977
Accrued expenses	63,654		63,654
Deposits	4,000		4,000
Due to other governments	1,706,443		1,706,443
Due to other funds	32,782		32,782
Total Liabilities	<u>1,950,921</u>	<u>64,935</u>	<u>2,015,856</u>
DEFERRED INFLOWS OF RESOURCES			
Uncollected property taxes	324,735		324,735
Unearned land use tax revenue	16,450		16,450
Property taxes collected in advance	63,149		63,149
Total Deferred Inflows of Resources	<u>404,334</u>	<u>-</u>	<u>404,334</u>
FUND BALANCES			
Nonspendable		156,289	156,289
Restricted	205,607	63,901	269,508
Committed	1,224,535	141,182	1,365,717
Assigned	403,405	112,951	516,356
Unassigned	372,602		372,602
Total Fund Balances	<u>2,206,149</u>	<u>474,323</u>	<u>2,680,472</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,561,404</u>	<u>\$ 539,258</u>	<u>\$ 5,100,662</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1
TOWN OF WARNER, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2017

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 2,680,472
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	9,681,707
Property and land use change taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis	341,185
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds:	
Deferred outflows of resources related to net pension liability	342,544
Deferred inflows of resources related to net pension liability	(93,911)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
Notes payable	(468,667)
Capital lease payable	(200,044)
Accrued interest on long-term obligations	(1,288)
Compensated absences	(88,174)
Estimated liability for landfill closure and postclosure care costs	(60,000)
Net pension liability	<u>(1,579,022)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 10,554,802</u>

See accompanying notes to the basic financial statements

EXHIBIT D
TOWN OF WARNER, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 2,689,816	\$ 3,590	\$ 2,693,406
Licenses and permits	524,723		524,723
Intergovernmental	539,789	108,205	647,994
Charges for services	89,906		89,906
Interest and investment income	18,623	14,619	33,242
Miscellaneous	70,276	13,659	83,935
Total Revenues	<u>3,933,133</u>	<u>140,073</u>	<u>4,073,206</u>
Expenditures:			
Current operations:			
General government	770,559	1,080	771,639
Public safety	711,564		711,564
Highways and streets	1,057,243		1,057,243
Sanitation	238,625		238,625
Health and welfare	20,799		20,799
Culture and recreation	231,183	6,683	237,866
Conservation	607	1,000	1,607
Capital outlay	1,011,690	379,165	1,390,855
Debt service:			
Principal retirement	24,142		24,142
Interest and fiscal charges	8,114	985	9,099
Total Expenditures	<u>4,074,526</u>	<u>388,913</u>	<u>4,463,439</u>
Excess revenues under expenditures	<u>(141,393)</u>	<u>(248,840)</u>	<u>(390,233)</u>
Other financing sources (uses):			
Proceeds from note issuance		250,000	250,000
Transfers in	3,199		3,199
Transfers out		(3,199)	(3,199)
Insurance recoveries	440,662		440,662
Total other financing sources (uses)	<u>443,861</u>	<u>246,801</u>	<u>690,662</u>
Net change in fund balances	302,468	(2,039)	300,429
Fund balances at beginning of year, as restated	<u>1,903,681</u>	<u>476,362</u>	<u>2,380,043</u>
Fund balances at end of year	<u>\$ 2,206,149</u>	<u>\$ 474,323</u>	<u>\$ 2,680,472</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1
TOWN OF WARNER, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2017

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ 300,429
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	956,023
Property tax and land use change tax revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(16,134)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the gain on the disposal of capital assets reduced by the actual proceeds received from the disposal.	(228,648)
Proceeds from note issuances are other financing sources in the funds, but note issuances increase long-term liabilities in the statement of net position.	(250,000)
Repayment of principal on notes payable is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	61,549
Some expenses reported in the statement of activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds. These expenses are from the following sources:	
Accrued interest on long-term obligations	241
Compensated absences	7,013
Estimated liability for landfill closure and postclosure care costs	(34,000)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense reflects the change in the net pension liability and related deferred outflows and inflows of resources, and do not require the use of current financial resources. This is the amount by which pension expense exceeded pension contributions in the current period.	<u>(52,289)</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 744,184</u>

See accompanying notes to the basic financial statements

EXHIBIT E
TOWN OF WARNER, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2017

	Private- Purpose <u>Trust Funds</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 898	\$ 274
Investments	<u>263,347</u>	
Total Assets	<u>264,245</u>	<u>\$ 274</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	<u>-</u>	
LIABILITIES		
Deposits		<u>\$ 274</u>
Total Liabilities	<u>-</u>	<u>\$ 274</u>
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	<u>-</u>	
NET POSITION		
Held in trust	<u>264,245</u>	
Total Net Position	<u>\$ 264,245</u>	

See accompanying notes to the basic financial statements

EXHIBIT F
TOWN OF WARNER, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
 For the Year Ended December 31, 2017

	<u>Private- Purpose Trust Funds</u>
ADDITIONS:	
Contributions:	
Interest	\$ 228
Total Contributions	<u>228</u>
Investment earnings:	
Interest	5,190
Realized gain on investments	1,300
Net increase in the fair value of investments	<u>11,104</u>
Total Investment Earnings	<u>17,594</u>
Total Additions	<u>17,822</u>
DEDUCTIONS:	
Benefits	3,497
Administrative expenses	<u>1,272</u>
Total Deductions	<u>4,769</u>
Change in Net Position	13,053
Net position - beginning of year, as restated	<u>251,192</u>
Net position - end of year	<u>\$ 264,245</u>

See accompanying notes to the basic financial statements

**TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2017**

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Warner, New Hampshire conform to accounting policies generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The Town of Warner, New Hampshire (the Town) was incorporated in 1774. The Town operates under the Town Meeting/Board of Selectmen form of government and performs local governmental functions authorized by State law.

The financial statements include those of the various departments governed by the Board of Selectmen and other officials with financial responsibility. The Town has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements:

The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the Town at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

2. Fund Financial Statements:

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

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

Fund Accounting

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

1. Governmental Funds:

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

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

2. Fiduciary Funds:

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

Measurement Focus

1. Government-Wide Financial Statements:

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

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

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

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

Basis of Accounting

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

1. Revenues – Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 10). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

Licenses and permits and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

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

2. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

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

Budgetary Data

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

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

Investments

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

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets including infrastructure and intangible assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Town maintains a capitalization threshold of \$10,000. The Town's infrastructure consists of roads, bridges, sidewalks, and similar items. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

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

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

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

Compensated Absences

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

Pursuant to the personnel policy, full time employees may accumulate sick leave days at a rate of 4 hours per month. The maximum amount of days an employee can accumulate may not exceed 90 days. Upon separation from the Town, an employee hired prior to January 1, 2011 will be reimbursed for up to 30 sick days only if a two-week notice has been given.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement. The entire compensated absence liability is reported on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

Except for the obligation for other post-employment benefits (see Note 2), all payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Net Position

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

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

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

Fund Balance Policy

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

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

Spending Prioritizations

In circumstances where expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classification can be used, committed amounts should be reduced first, followed by assigned amounts then unassigned amounts.

Deficit Fund Balance

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

Minimum Level of Unassigned Fund Balance

As recommended by the New Hampshire Department of Revenue, the Town will strive to maintain an unassigned fund balance in its General Fund equal to 8-17% of the total annual appropriations of the

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

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

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Other Post-Employment Benefits

The Town did not implement GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The provisions of GASB 45 were required to be implemented by the Town during the year ended December 31, 2009.

NOTE 3—DEPOSITS AND INVESTMENTS

Deposits and investments as of December 31, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 2,621,031
Investments	1,629,394
Statement of Fiduciary Net Position:	
Cash and cash equivalents	1,172
Investments	263,347
	<u>\$ 4,514,944</u>

Deposits and investments at December 31, 2017 consist of the following:

Deposits with financial institutions	\$ 4,085,256
Investments	429,688
	<u>\$ 4,514,944</u>

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

Interest Rate Risk

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

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

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

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

<u>Investment Type</u>		<u>Remaining Maturity (in Years)</u>		
		<u>0-1 Years</u>	<u>1-5 Years</u>	<u>> 5 Years</u>
U.S. Government agency bonds	\$ 81,567	\$ 10,136	\$ 56,102	\$ 15,329
Corporate bonds	137,527		60,562	76,965
Fixed income funds	63,805			63,805
	<u>\$ 282,899</u>	<u>\$ 10,136</u>	<u>\$ 116,664</u>	<u>\$ 156,099</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

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

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

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

	<u>Total</u>	<u>Aaa</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
U.S. Government agency bonds	\$ 81,567	\$ 81,567			
Corporate bonds	137,527		\$ 30,329	\$ 107,198	
Fixed income funds	63,805				\$ 63,805
Money market mutual funds	13,205				13,205
	<u>\$ 296,104</u>	<u>\$ 81,567</u>	<u>\$ 30,329</u>	<u>\$ 107,198</u>	<u>\$ 77,010</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

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

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

Of the Town's deposits with financial institutions at year end, \$3,039,018 was collateralized by securities held by the bank in the bank's name and \$-0- was uninsured and uncollateralized.

As of December 31, 2017, Town investments in the following investment types were held by the same counterparty that was used to buy the securities.

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Government agency bonds	\$ 81,567
Corporate bonds	137,527
Fixed income funds	63,805
Money market mutual funds	13,205
Equity mutual funds	133,584
	<u>\$ 429,688</u>

Fair value

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

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

The Town has the following recurring fair value measurements as of December 31, 2017:

<u>Description</u>	<u>Fair Value Measurements Using:</u>		
	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:			
U.S. Government agencies	\$ 81,567	\$ 81,567	
Corporate bonds	137,527	137,527	
Fixed income funds	63,805	\$ 63,805	
Equity mutual funds	133,584	133,584	
	<u>\$ 416,483</u>	<u>\$ 197,389</u>	<u>\$ 219,094</u>
			<u>\$ -</u>

NOTE 4—TAXES RECEIVABLE

Taxes levied during the current year and prior and uncollected at December 31, 2017 are recorded as receivables net of reserves for estimated uncollectibles of \$50,000.

NOTE 5—CAPITAL ASSETS

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

	<u>Balance 01/01/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/17</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 1,572,998			\$ 1,572,998
Construction in process	955,100	\$ 189,428	\$ (816,024)	328,504
Works of Art	19,115			19,115
Total capital assets not being depreciated	<u>2,547,213</u>	<u>189,428</u>	<u>(816,024)</u>	<u>1,920,617</u>
Other capital assets:				
Infrastructure	2,750,727	829,364		3,580,091
Land improvements	96,000			96,000
Buildings and improvements	4,519,862	346,103		4,865,965
Vehicles and equipment	3,617,334	781,660	(557,974)	3,841,020
Total other capital assets at historical cost	<u>10,983,923</u>	<u>1,957,127</u>	<u>(557,974)</u>	<u>12,383,076</u>
Less accumulated depreciation for:				
Infrastructure	(373,654)	(79,589)		(453,243)
Land improvements	(75,200)	(6,400)		(81,600)
Buildings and improvements	(1,822,784)	(89,067)		(1,911,851)
Vehicles and equipment	(2,305,166)	(176,899)	306,773	(2,175,292)
Total accumulated depreciation	<u>(4,576,804)</u>	<u>(351,955)</u>	<u>306,773</u>	<u>(4,621,986)</u>
Total other capital assets, net	<u>6,407,119</u>	<u>1,605,172</u>	<u>(251,201)</u>	<u>7,761,090</u>
Total capital assets, net	<u>\$ 8,954,332</u>	<u>\$ 1,794,600</u>	<u>\$ (1,067,225)</u>	<u>\$ 9,681,707</u>

Depreciation expense was charged to governmental functions as follows:

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

General government	\$ 19,338
Public safety	109,425
Highways and streets	198,254
Sanitation	9,256
Culture and recreation	15,682
Total governmental activities depreciation expense	<u>\$ 351,955</u>

The balance of the assets acquired through capital leases as of December 31, 2017 is as follows:

Vehicles and equipment	\$ 280,200
Less accumulated depreciation for:	
Vehicles and equipment	<u>(17,513)</u>
	<u>\$ 262,687</u>

NOTE 6—INTERFUND BALANCES AND TRANSFERS

The Town has combined the cash resources of its Solar Array Capital Projects Fund with the General Fund. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. As of December 31, 2017, the General Fund has an interfund payable of \$32,782 to the Solar Array Fund.

During the year, a transfer occurred between the Permanent Funds (a nonmajor governmental fund) to the General Fund in the amount of \$3,199 to distribute income earned on investments during the year to support the Town's programs.

NOTE 7—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town's long-term obligations for the year ended December 31, 2017 are as follows:

	<u>Balance</u> <u>01/01/17</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/17</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Notes payable	\$ 242,809	\$ 250,000	\$ (24,142)	\$ 468,667	\$ 38,823
Capital lease payable	237,451		(37,407)	200,044	38,248
Compensated absences	95,187	5,700	(12,713)	88,174	8,374
Total governmental activities	<u>\$ 575,447</u>	<u>\$ 255,700</u>	<u>\$ (74,262)</u>	<u>\$ 756,885</u>	<u>\$ 85,445</u>

Payments on the notes and capital lease payables are paid out of the General Fund. Compensated absences will be paid from the fund the employee's salary is paid.

Notes Payable

Notes payable at December 31, 2017 are comprised of the following individual issues:

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

\$376,000 Fire Truck Note payable in monthly installments of \$2,688, including interest at 3.50%, through September 2025	\$ 218,667
\$250,000 Solar Array Note payable in monthly installments of \$1,942, including interest at 2.00%, through April 2030	<u>250,000</u>
	<u>\$ 468,667</u>

Debt service requirements to retire notes payable outstanding at December 31, 2017 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 38,823	\$ 10,913	\$ 49,736
2019	44,645	10,918	55,563
2020	45,944	9,619	55,563
2021	47,284	8,279	55,563
2022	48,666	6,897	55,563
2023-2027	190,213	15,026	205,239
2028-2030	53,092	1,293	54,385
	<u>\$ 468,667</u>	<u>\$ 62,945</u>	<u>\$ 531,612</u>

Capital Lease Payable

The capital lease payable represents a lease agreement entered into for the financing of equipment. This contract is subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function. Following is the individual capital lease obligation at December 31, 2017:

Highway motor grader payable in annual installments of \$42,749, including interest at 2.25%, through September 2022 with a final payment of \$1 in September 2023	<u>\$ 200,044</u>
--	-------------------

Debt service requirements to retire the capital lease payable outstanding at December 31, 2017 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 38,248	\$ 4,501	\$ 42,749
2019	39,109	3,640	42,749
2020	39,989	2,760	42,749
2021	40,889	1,860	42,749
2022	41,808	941	42,749
2023	1		1
	<u>\$ 200,044</u>	<u>\$ 13,702</u>	<u>\$ 213,746</u>

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 8—LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

During 1998, the sanitary landfill previously operated under an intergovernmental agreement with the Town of Hopkinton was closed. The Town of Warner was responsible for annual payments to the Town of Hopkinton based on twenty percent of the annual bond payment for the landfill closure. Estimated postclosure, inspection, maintenance and monitoring costs are \$6,000 for the year 2018. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. An estimated liability of \$60,000 has been recorded in the Statement of Net Position based on the Town's share of the estimated future postclosure care costs at current dollars.

The following is a summary of changes in the estimated liability for closure and postclosure care cost for the year ended December 31, 2017:

Balance - January 1, 2017	\$ 26,000
Expenditures recognized in General Fund	(26,976)
Net change in estimated liability for postclosure care costs	<u>60,976</u>
Balance - December 31, 2017	<u>\$ 60,000</u>

NOTE 9—DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

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

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

Benefits Provided

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

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

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

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

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

Funding Policy

Covered police officers and firefighters are required to contribute 11.55% and 11.80%, respectively, of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's pension contribution rates for the covered payroll of police officers, firefighters, and general employees were 22.54%, 25.32%, and 10.86%, respectively through June 30, 2017, and 25.33%, 27.79%, and 11.08%, respectively thereafter. The Town contributed 100% of the employer cost for police safety and general employees of the Town.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's pension contributions to the NHRS were \$125,479 for the year ending December 31, 2017.

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

At December 31, 2017, the Town reported a liability of \$1,579,022 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

valuation from June 30, 2016. The Town's proportion of the net pension liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2017, the Town's proportion was approximately 0.0321 percent, which was an increase of 0.0033 percentage points from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Town recognized pension expense of \$177,769. At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,580	\$ 20,096
Net difference between projected and actual earnings on pension plan investments		20,110
Changes of assumptions	158,555	
Changes in proportion and differences between Town contributions and share of contributions	115,563	53,705
Town contributions subsequent to the measurement date	<u>64,846</u>	
Totals	<u>\$ 342,544</u>	<u>\$ 93,911</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$248,633. The Town reported \$64,846 as deferred outflows of resources related to pension resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense in the measurement periods as follows:

<u>June 30,</u>	
2018	\$ 39,338
2019	78,767
2020	64,100
2021	<u>1,582</u>
	<u>\$ 183,787</u>

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2016, using the following actuarial assumptions:

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Net of inflation assumption of 3.25%)</u>
Fixed income	25%	(0.25)-2.11%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.75-6.25%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.75%
Opportunistic	5%	2.84%
Total	<u>100%</u>	

Discount Rate

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

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

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

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

	1% Decrease <u>(6.25%)</u>	Discount rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Town's proportionate share of the net pension liability	\$ 2,080,282	\$ 1,579,022	\$ 1,168,259

NOTE 10—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$283,683,375 as of April 1, 2017) and are due in two installments on July 3, 2017 and December 13, 2017. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

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

In accordance with State law, the Town collects taxes for the Kearsarge Regional School District, Merrimack County, and Warner Village Water District, all independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$4,526,002, \$767,235, and \$106,355 for the Kearsarge Regional School District, Merrimack County, and Warner Village Water District, respectively. These taxes are not recognized as revenues in these financial statements. At December 31, 2017, the balance of the property tax appropriation due to the Kearsarge Regional School District is \$1,706,443. The Town bears responsibility for uncollected taxes.

NOTE 11—RESTRICTED NET POSITION

Net position is restricted for specific purposes as follows:

Permanent Funds - Principal	\$ 156,289
Permanent Funds - Income	29,783
Library	205,607
Beautification fund	4,265
North Road Town Forest	8,441
Rosa Valpey Memorial	3,419
Parks and Recreation	6,876
Solar Array Fund	11,117
	<u>\$ 425,797</u>

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

NOTE 12—COMPONENTS OF FUND BALANCE

The components of the Town's fund balance for its governmental funds at December 31, 2017 are as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Permanent funds - Principal		\$ 156,289	\$ 156,289
Restricted for:			
Permanent funds - Income		29,783	29,783
Library	\$ 205,607		205,607
Beautification fund		4,265	4,265
North Road Town Forest		8,441	8,441
Rosa Valpey Memorial		3,419	3,419
Parks and recreation		6,876	6,876
Solar Array		11,117	11,117
Committed for:			
Conservation		141,182	141,182
Expendable trusts	59,231		59,231
Capital reserves	1,165,304		1,165,304
Assigned for:			
Chandler reservation		112,951	112,951
Subsequent year's expenditures	260,000		260,000
Designated to offset subsequent year's tax rate	100,000		100,000
Encumbrances	39,493		39,493
Hazardous materials	3,912		3,912
Unassigned:			
Unassigned - General operations	<u>372,602</u>		<u>372,602</u>
	<u>\$ 2,206,149</u>	<u>\$ 474,323</u>	<u>\$ 2,680,472</u>

NOTE 13—RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2017, the Town participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2017.

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

Property and Liability Insurance

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

Worker's Compensation

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

NOTE 14—CONTINGENCIES

The Town's management estimates that any potential claims against the Town, which are not covered by insurance, are immaterial and would not affect the financial position of the Town.

NOTE 15—RESTATEMENT OF EQUITY

During the year ended December 31, 2017, it was determined that various permanent funds (reported as a nonmajor governmental fund) had been misclassified as private purpose trust funds.

Government-Wide Statements

The impact on the net position of the Governmental Activities as of January 1, 2017 is as follows:

Net Position - January 1, 2017 (as previously reported)	\$ 9,738,200
Amount of restatement due to:	
Permanent Funds classified as Private Purpose	
Trust Funds	72,418
Net Position - January 1, 2017, as restated	<u>\$ 9,810,618</u>

Governmental Funds

The impact on fund balance of the Nonmajor Governmental Funds as of January 1, 2017 is as follows:

Fund Balance - January 1, 2017 (as previously reported)	\$ 403,944
Amount of restatement due to:	
Permanent Funds classified as Private Purpose	
Trust Funds	72,418
Fund Balance - January 1, 2017, as restated	<u>\$ 476,362</u>

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2017

Fiduciary Funds

The impact on net position of the Private Purpose Trust Funds as of January 1, 2017 is as follows:

Net Position - January 1, 2017 (as previously reported)	\$ 323,610
Amount of restatement due to:	
Permanent Funds classified as Private Purpose Trust Funds	(72,418)
Net Position - January 1, 2017, as restated	<u>\$ 251,192</u>

NOTE 16—SUBSEQUENT EVENTS

Debt Authorization

Per Article #4 at the March 2018 annual meeting, the Town authorized the issuance of bonds or notes in the amount of \$2,500,000 to construct and equip a fire station on town land.

Bond Issuance

During May 2018, the Town entered into a loan agreement to borrow \$2,500,000. This loan has an interest rate of 3.875% and matures on August 1, 2038.

NOTE 17—IMPLEMENTATION OF FUTURE ACCOUNTING STANDARDS

The Government Accounting Standards Board (GASB) has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which the Town is required to implement in the year ending December 31, 2018. Management believes that this pronouncement will have a potentially significant impact on the Town's government-wide financial statements. The Town will have to report its proportional share of the New Hampshire Retirement System's unfunded OPEB liability in the financial statements for the calendar year beginning after June 15, 2017. Additionally, Statement No. 75 modifies the allowable methods, recognition and measurement criteria related to how the Town accounts for and reports its single employer OPEB plan, currently disclosed in Note 2 as not being implemented and resulting in an adverse opinion on the Town's governmental activities.

SCHEDULE 1
TOWN OF WARNER, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 2,568,103	\$ 2,568,103	\$ 2,657,232	\$ 89,129
Licenses and permits	512,550	512,550	524,723	12,173
Intergovernmental	281,470	530,898	539,789	8,891
Charges for services	83,000	83,000	89,906	6,906
Interest income	6,400	6,400	9,486	3,086
Miscellaneous	74,953	74,953	64,060	(10,893)
Total Revenues	<u>3,526,476</u>	<u>3,775,904</u>	<u>3,885,196</u>	<u>109,292</u>
Expenditures:				
Current:				
General government	780,637	780,637	763,937	16,700
Public safety	765,783	765,783	708,999	56,784
Highways and streets	996,813	1,108,062	1,072,561	35,501
Sanitation	250,632	250,632	238,625	12,007
Health and welfare	22,913	22,913	20,799	2,114
Culture and recreation	32,080	32,080	33,188	(1,108)
Conservation	872	872	607	265
Capital outlay	20,000	158,179	164,863	(6,684)
Debt service:				
Principal retirement	24,142	24,142	24,142	-
Interest and fiscal charges	8,114	8,114	8,114	-
Total Expenditures	<u>2,901,986</u>	<u>3,151,414</u>	<u>3,035,835</u>	<u>115,579</u>
Excess revenues over expenditures	<u>624,490</u>	<u>624,490</u>	<u>849,361</u>	<u>224,871</u>
Other financing sources (uses):				
Transfers in	10	10	12,279	12,269
Transfers out	(826,500)	(826,500)	(826,499)	1
Total other financing sources (uses)	<u>(826,490)</u>	<u>(826,490)</u>	<u>(814,220)</u>	<u>12,270</u>
Net change in fund balances	(202,000)	(202,000)	35,141	237,141
Fund balance at beginning of year				
- Budgetary Basis	<u>1,022,196</u>	<u>1,022,196</u>	<u>1,022,196</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 820,196</u>	<u>\$ 820,196</u>	<u>\$ 1,057,337</u>	<u>\$ 237,141</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

TOWN OF WARNER, NEW HAMPSHIRE

Schedule of Changes in the Town's Proportionate Share of the Net Pension Liability
 For the Year Ended December 31, 2017

<u>Measurement Period Ended</u>	<u>Town's Proportion of the Net Pension Liability</u>	<u>Town's Proportionate Share of the Net Pension Liability</u>	<u>Town's Covered Payroll</u>	<u>Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2017	0.03210704%	\$ 1,579,022	\$ 831,522	189.90%	62.66%
June 30, 2016	0.02880900%	\$ 1,531,946	\$ 735,765	208.21%	58.30%
June 30, 2015	0.03071427%	\$ 1,216,754	\$ 755,488	161.06%	65.47%
June 30, 2014	0.03082899%	\$ 1,157,193	\$ 705,113	164.11%	66.32%
June 30, 2013	0.03112002%	\$ 1,339,339	\$ 704,435	190.13%	59.81%

See accompanying notes to the required supplementary information

SCHEDULE 3
TOWN OF WARNER, NEW HAMPSHIRE
Schedule of Town Contributions
For the Year Ended December 31, 2017

<u>Year Ended</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Town's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2017	\$ 125,479	\$ (125,479)	\$ -	\$ 852,002	14.73%
December 31, 2016	\$ 110,727	\$ (110,727)	\$ -	\$ 791,044	14.00%
December 31, 2015	\$ 102,822	\$ (102,822)	\$ -	\$ 738,748	13.92%
December 31, 2014	\$ 101,050	\$ (101,050)	\$ -	\$ 726,974	13.90%
December 31, 2013	\$ 88,183	\$ (88,183)	\$ -	\$ 701,080	12.58%

See accompanying notes to the required supplementary information

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2017

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

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

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 4,376,994	\$ 4,074,526
Difference in property taxes meeting susceptible to accrual criteria	(32,584)	
Encumbrances, December 31, 2017		39,493
Encumbrances, December 31, 2016		(25,740)
Insurance recovery activity	(440,662)	(440,662)
Non-budgetary activity	(15,353)	(611,782)
Budgetary transfers	9,080	826,499
Per Schedule 1	<u>\$ 3,897,475</u>	<u>\$ 3,862,334</u>

NOTE 2—BUDGETARY FUND BALANCE

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

<i>Assigned for:</i>	
Subsequent year's expenditures	\$ 260,000
Designated to offset subsequent year's tax rate	100,000
<i>Unassigned:</i>	
Unassigned - General operations	697,337
	<u>\$ 1,057,337</u>

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

In accordance with GASB Statement #68, *Accounting and Financial Reporting for Pensions*, the Town is required to disclose historical information for each of the prior ten years within a schedule of changes in the Town's proportionate share of the net pension liability and schedule of Town contributions. The

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
December 31, 2017

Town implemented the provisions of GASB Statement #68 during the year ended December 31, 2015. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as the information becomes available.

NOTE 4—CHANGES OF ACTUARIAL ASSUMPTIONS

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

SCHEDULE A
TOWN OF WARNER, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2017

	Special Revenue Funds	Solar Array Capital Projects Fund	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 172,790			\$ 172,790
Investments	104,344		\$ 186,072	290,416
Due from other governments		\$ 43,270		43,270
Due from other funds		32,782		32,782
Total Assets	<u>277,134</u>	<u>76,052</u>	<u>186,072</u>	<u>539,258</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Assets and Deferred Outflows of Resources	<u>\$ 277,134</u>	<u>\$ 76,052</u>	<u>\$ 186,072</u>	<u>\$ 539,258</u>
LIABILITIES				
Accounts payable		\$ 64,935		\$ 64,935
Total Liabilities	<u>\$ -</u>	<u>64,935</u>	<u>\$ -</u>	<u>64,935</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable			156,289	156,289
Restricted	23,001	11,117	29,783	63,901
Committed	141,182			141,182
Assigned	112,951			112,951
Total Fund Balances	<u>277,134</u>	<u>11,117</u>	<u>186,072</u>	<u>474,323</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 277,134</u>	<u>\$ 76,052</u>	<u>\$ 186,072</u>	<u>\$ 539,258</u>

SCHEDULE A-1
TOWN OF WARNER, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
December 31, 2017

	Beautification Fund	Chandler Reservation Fund	Conservation Commission Fund	North Road Town Forest Fund	Rosa Valpey Memorial Fund	Parks and Recreation Fund	Total Nonmajor Special Revenue Funds
ASSETS							
Cash and cash equivalents	\$ 4,265	\$ 12,026	\$ 141,182	\$ 8,441	\$ 3,419	\$ 6,876	\$ 172,790
Investments		100,925					104,344
Total Assets	<u>4,265</u>	<u>112,951</u>	<u>141,182</u>	<u>8,441</u>	<u>3,419</u>	<u>6,876</u>	<u>277,134</u>
DEFERRED OUTFLOWS OF RESOURCES							
Total Assets and Deferred Outflows of Resources	<u>\$ 4,265</u>	<u>\$ 112,951</u>	<u>\$ 141,182</u>	<u>\$ 8,441</u>	<u>\$ 3,419</u>	<u>\$ 6,876</u>	<u>\$ 277,134</u>
LIABILITIES							
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES							
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Restricted						6,876	23,001
Committed	4,265		141,182	8,441	3,419		141,182
Assigned		112,951					112,951
Total Fund Balances	<u>4,265</u>	<u>112,951</u>	<u>141,182</u>	<u>8,441</u>	<u>3,419</u>	<u>6,876</u>	<u>277,134</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,265</u>	<u>\$ 112,951</u>	<u>\$ 141,182</u>	<u>\$ 8,441</u>	<u>\$ 3,419</u>	<u>\$ 6,876</u>	<u>\$ 277,134</u>

SCHEDULE B
TOWN OF WARNER, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Funds
For the Year Ended December 31, 2017

	Special Revenue Funds	Solar Array Capital Projects Fund	Permanent Funds	Total Nonmajor Governmental Funds
Revenues:				
Taxes	\$ 3,590			\$ 3,590
Intergovernmental		\$ 108,205		108,205
Interest and investment income	843		\$ 13,776	14,619
Miscellaneous	12,859		800	13,659
Total Revenues	<u>17,292</u>	<u>108,205</u>	<u>14,576</u>	<u>140,073</u>
Expenditures:				
Current operations:				
General government			1,080	1,080
Culture and recreation	6,683			6,683
Conservation	1,000			1,000
Capital outlay	33,062	346,103		379,165
Debt service:				
Interest and fiscal charges		985		985
Total Expenditures	<u>40,745</u>	<u>347,088</u>	<u>1,080</u>	<u>388,913</u>
Excess revenues over (under) expenditures	<u>(23,453)</u>	<u>(238,883)</u>	<u>13,496</u>	<u>(248,840)</u>
Other financing sources (uses):				
Proceeds from note issuance		250,000		250,000
Transfers out			(3,199)	(3,199)
Total other financing sources (uses)	<u>-</u>	<u>250,000</u>	<u>(3,199)</u>	<u>246,801</u>
Net change in fund balances	(23,453)	11,117	10,297	(2,039)
Fund balances at beginning of year, as restated	<u>300,587</u>	<u>-</u>	<u>175,775</u>	<u>476,362</u>
Fund balances at end of year	<u>\$ 277,134</u>	<u>\$ 11,117</u>	<u>\$ 186,072</u>	<u>\$ 474,323</u>

SCHEDULE B-1
TOWN OF WARNER, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Special Revenue Funds
For the Year Ended December 31, 2017

	Beautification Fund	Chandler Reservation Fund	Conservation Commission Fund	North Road Town Forest Fund	Rosa Valpey Memorial Fund	Parks and Recreation Fund	Total Nonmajor Special Revenue Funds
Revenues:							
Taxes	\$ 5	\$ 657	\$ 3,590	\$ 4	\$ 7	\$ 10,859	\$ 3,590
Interest and investment income	2,000		170				843
Miscellaneous	2,005	657	3,760	4	7	10,859	12,859
Total Revenues							17,292
Expenditures:							
Current operations:							
Culture and recreation	2,700					3,983	6,683
Conservation		1,000					1,000
Capital outlay		33,062					33,062
Total Expenditures	2,700	34,062	-	-	-	3,983	40,745
Net change in fund balances	(695)	(33,405)	3,760	4	7	6,876	(23,453)
Fund balances at beginning of year	4,960	146,356	137,422	8,437	3,412	-	300,587
Fund balances at end of year	\$ 4,265	\$ 112,951	\$ 141,182	\$ 8,441	\$ 3,419	\$ 6,876	\$ 277,134

SCHEDULE C
TOWN OF WARNER, NEW HAMPSHIRE
Combining Statement of Fiduciary Net Position
Fiduciary Funds - All Private-Purpose Trust Funds
December 31, 2017

	Miscellaneous Trust Funds	Foster and Currier Funds	Total Private- Purpose Trust Funds
ASSETS			
Cash and cash equivalents		\$ 898	\$ 898
Investments	\$ 253,292	10,055	263,347
Total Assets	<u>253,292</u>	<u>10,953</u>	<u>264,245</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Held in trust	253,292	10,953	264,245
Total Net Position	<u>\$ 253,292</u>	<u>\$ 10,953</u>	<u>\$ 264,245</u>

SCHEDULE D
TOWN OF WARNER, NEW HAMPSHIRE
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds - All Private-Purpose Trust Funds
For the Year Ended December 31, 2017

	Miscellaneous Trust Funds	Foster and Currier Funds	Total Private- Purpose Trust Funds
ADDITIONS:			
Contributions:			
Interest	<u> </u>	\$ 228	\$ 228
Total Contributions	<u>\$ -</u>	<u>228</u>	<u>228</u>
Investment earnings:			
Interest	5,155	35	5,190
Realized gains on investments	1,300		1,300
Net increase in the fair value of investments	<u>11,104</u>		<u>11,104</u>
Total Investment Earnings	<u>17,559</u>	<u>35</u>	<u>17,594</u>
Total Additions	<u>17,559</u>	<u>263</u>	<u>17,822</u>
DEDUCTIONS:			
Benefits	3,197	300	3,497
Administrative expenses	<u>1,272</u>		<u>1,272</u>
Total Deductions	<u>4,469</u>	<u>300</u>	<u>4,769</u>
 Change in Net Position	 13,090	 (37)	 13,053
Net position - beginning of year, as restated	<u>240,202</u>	<u>10,990</u>	<u>251,192</u>
Net position - end of year	<u>\$ 253,292</u>	<u>\$ 10,953</u>	<u>\$ 264,245</u>