

**TOWN OF NORTHWOOD, NEW HAMPSHIRE**

**Financial Statements**

**December 31, 2016**

**and**

**Independent Auditor's Report**

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

**TABLE OF CONTENTS**

	<u>Page(s)</u>
INDEPENDENT AUDITOR’S REPORT	
MANAGEMENT’S DISCUSSION AND ANALYSIS	i-vi
<b>BASIC FINANCIAL STATEMENTS</b>	
EXHIBITS:	
A Statement of Net Position	1
B Statement of Activities	2
C Balance Sheet – Governmental Funds	3
C-1 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4
D Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5
D-1 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
E Statement of Fiduciary Net Position – Fiduciary Funds	7
F Statement of Changes in Fiduciary Net Position – Fiduciary Funds	8
NOTES TO BASIC FINANCIAL STATEMENTS	9-27
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
SCHEDULES:	
1 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund	28
2 Schedule of Changes in the Town's Proportionate Share of the Net Pension Liability	29
3 Schedule of Town Contributions	30
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	31-32

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

**TABLE OF CONTENTS (CONTINUED)**

**SUPPLEMENTAL SCHEDULES**

**SCHEDULES:**

A	Combining Balance Sheet – Governmental Funds – All Nonmajor Funds	33
B	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – All Nonmajor Funds	34

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Selectmen  
Town of Northwood, 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 Northwood, New Hampshire, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

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

As discussed in Note 2 to the financial statements, management has not recorded a liability for other post-employment benefits in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United

States of America require that other post-employment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities is not reasonably determinable.

### ***Adverse Opinion***

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

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Town of Northwood, New Hampshire, as of December 31, 2016, and the respective changes in financial position thereof for the year then ended in conformity 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, the schedule of changes in the Town’s proportionate share of the net pension liability, and the schedule of the Town’s contributions on pages i-vi and 28-30 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 Northwood, New Hampshire’s basic financial statements. The combining nonmajor 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 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 financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Vachon Cloutay & Company PC

Manchester, New Hampshire  
June 13, 2017

**TOWN OF NORTHWOOD, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED DECEMBER 31, 2016**

As the management of the Town of Northwood (the "Town"), we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended December 31, 2016

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of resources of the Town exceeded its liabilities and deferred inflows of resources at the close of the 2016 fiscal year by \$5,823,110 (Net Position). Of this amount \$767,776 may be used to meet the government's ongoing obligations to citizens and creditors in accordance with the Town's fund designation and fiscal policies.
- The Town's total net position increased by \$101,222.
- As of the close of the 2016 fiscal year, the Town governmental funds reported a combined ending balances of \$2,443,605.
- At the end of the 2016 fiscal year, unassigned fund balance for the general fund was \$638,113.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

The Statement of Net Position presents information on all the Town's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between them being reported as net position. Over time, increases or 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 fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in class flows in the future periods (e.g. uncollected property taxes and earned but unused compensated absences).

The governmental activities of the Town include general government and administration, public safety, development services, and cultural and recreation.

The government-wide financial statements can be found on pages 1-2 of this report.

**Fund financial statements—** A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All the funds of the Town can be divided into two categories— governmental funds and fiduciary funds.

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

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

The Town maintains 9 governmental funds. Information is presented separately in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues, Expenditures, and Changes in the Fund Balance for the General Fund. Data from the other 8 funds are combined into a single, aggregate presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements on pages 33 and 34.

The basic governmental fund financial statements can be found on pages 3-4 of this report.

**Notes to the Financial Statements—** The notes provided additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 9-27 of this report.

## **GOVERNMENT – WIDE FINANCIAL ANALYSIS**

As noted earlier, the net position may serve over time as a useful indicator of the government's financial position. In the case of the Town of Northwood, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$5,823,110 as of December 31, 2016.

The largest portion of the Town's net position (78%) reflects its investments in capital assets (e.g., land, building, equipment, improvements, construction in progress and infrastructure). The Town uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending.



**TOWN OF NORTHWOOD'S NET POSITION**  
**TOWN OF NORTHWOOD'S NET ASSETS**

Governmental Activities	2016	2015
Current and Other Assets	7,382,181	7,259,036
Capital Assets	4,805,539	4,747,105
Total Assets	<u>12,187,720</u>	<u>12,006,141</u>
Deferred Outflows of Resources	778,153	140,835
Long term liabilities outstanding	3,147,697	2,438,098
Other liabilities	3,912,677	3,856,017
Total Liabilities	<u>7,060,374</u>	<u>6,294,115</u>
Deferred Inflows of Resources	82,389	130,973
Net Position:		
Invested in capital assets	4,552,370	4,363,048
Restricted	502,964	467,895
Unrestricted	767,776	890,945
Total Net Position	<u>5,823,110</u>	<u>5,721,888</u>

An additional portion of the Town's net position (9%) represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position \$767,776 may be used to meet the government's ongoing obligation to citizens and creditors.

As of December 31, 2016, the Town is able to report positive balances in all three categories of net position.

**Analysis of the Town's Operations**— The following table provides a summary of the Towns operations for the year ended December 31, 2016.

**TOWN OF NORTHWOOD'S CHANGES IN NET POSITION**

Governmental Activities	<u>2016</u>	<u>2015</u>
Revenues		
Program revenues:		
Charges for services	\$243,646	\$333,690
Operating grants and contributions	106,149	116,971

General revenues:		
Property and other taxes	2,246,571	2,465,433
Licenses and permits	909,906	866,277
Grants and contributions	218,244	203,372
Interest and investment earnings	52,984	16,163
Miscellaneous	38,632	25,511
Contributions	<u>2,100</u>	<u>0</u>
Total revenues	<u>3,818,232</u>	<u>4,027,417</u>
Expenses		
General government	828,539	796,075
Public safety	1,711,376	1,653,854
Highways and streets	615,370	555,426
Health and welfare	63,472	58,398
Sanitation	210,214	219,929
Culture and recreation	278,962	287,303
Redevelopment & Housing		
Economic development	434	1,937
Interest and fiscal charges	<u>8,643</u>	<u>8,682</u>
Total expenses	<u>3,717,010</u>	<u>3,581,604</u>
Increase in net position	101,222	445,813
Net Position, beginning of year	<u>5,721,888</u>	<u>5,276,075</u>
Net position, end of year	<u>\$5,823,110</u>	<u>\$5,721,888</u>

## FINANCIAL ANALYSIS OF THE GOVERNMENT FUNDS

Under GASB No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Town has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned and Unassigned. Complete descriptions of these classifications may be found on page 14 of the notes to the Basic Financial Statements. One major example of the effects caused by implementation of GASB 54 is that the Expendable Trust Funds and Capital Reserve Funds are now reported as part of the General Fund.

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

The General Fund is the main operating fund of the Town. At the end of the current year, the General Fund had a fund balance of \$1,253,249 of which \$638,113 is unassigned. As referenced above, this fund balance now incorporates the Expendable Trust Funds and Capital Reserve Funds which amounts to \$477,248 as of December 31, 2016. There is also \$88,347 that has been committed to pay for encumbrances.

Permanent funds (reported as a nonmajor governmental fund) account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the Town’s programs. At December 31, 2016, the balance of 368,465 was considered nonspendable as it represented the principal portion of endowments and the interest portion,

\$134,499 was restricted. Other balances consist of \$26,980 and \$74,217 committed for the Recreation Revolving Fund and Police Details Fund, respectively and \$586,195 assigned for the Library, Conservation Commission, Ambulance Replacement, Forest Maintenance and Lagoon Fees.

**General Fund Budgetary Highlights—** The Town made 3 revisions to the original appropriations approved by the Board of Selectman and the Budget Committee at the annual Town Meeting. They are as follows:

Warrant #7 Northwood's 250<sup>th</sup> Anniversary was increased by \$500  
 Warrant # 15 Aquatic Species Prevention was increased by \$3,000  
 Warrant# 16 Aquatic Treatment & Maintenance was increased by \$2,000

### **CAPITAL ASSETS**

The Town of Northwood's investment in capital assets for its governmental activities as of December 31, 2016, amounts to \$4,805,539 (net of accumulated depreciation). The investment in capital assets includes land, buildings, equipment, improvements, and infrastructure.

Major capital asset events during the 2016 fiscal year included the following:

Road Improvements:

- \$69,620 Angela Drive
- \$68,405 Lower Deerfield Rd.
- \$136,244 Bow Lake Road
- \$73,562 Baseball Diamond at Rte. 4 Ballfield

Equipment:

- \$39,800 HVAC system at Town Hall

### **TOWN OF NORTHWOOD'S CHANGES IN NET ASSETS**

Governmental Activities	2016	2015
Land and Improvements	2,687,496	2,466,159
Buildings	871,155	831,355
Infrastructure	2,457,336	2,321,092
Furniture, Equipment, and Vehicles	2,390,816	2,667,456
Construction in progress	282,336	12,360
Less: Accumulated Depreciation	<u>(3,883,600)</u>	<u>(3,551,317)</u>
Total Capital Assets, Net of Depreciation	<u>4,805,539</u>	<u>4,747,105</u>

Additional information on the Town's capital assets can be found in a Note 4 Summary of Significant Accounting Policies and Capital Assets on page 18.

## **DEBT ADMINISTRATION**

At the end of the 2016 fiscal year, the Town of Northwood had capital leases in the amount of \$253,169. This consists of a five year capital lease for a new ambulance, and a 5 year lease on 3 police cruisers, all acquired in 2013 and a 5 year lease for two defibrillators acquired in 2014, and a new Fire Truck acquired in 2015. See Note 6 in the Notes to Basic Financial Statements for a summary of all outstanding long-term obligations

## **COMPENSATED ABSENCES**

As of December 31, 2016 the Town of Northwood has compensated absences in the amount of \$82,314. This amount represents earned but unused vacation and personal time and up to eighty hours of sick time. Additional information regarding compensated absences can be found on page 13 in the Notes to Basic Financial Statements.

## **ECONOMIC FACTORS**

Property Taxes rates set in November 2016 was \$23.98 broken down as follows; \$4.59 Town, \$1.05 County, \$15.85 School District, and \$2.49 State Education Property Tax.

## **REQUEST FOR INFORMATION**

The financial report is designed to provide our citizens, customers, investors, and creditors with general overview of the Town's finances. If you have any questions about this report or need additional information, contact the Town Administrator, at 818 First New Hampshire Turnpike, Northwood, NH 03261, call (603) 942-5586 extension 204, or email [administration@northwoodnh.org](mailto:administration@northwoodnh.org).

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

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 4,997,909
Investments	915,350
Taxes receivable, net	1,119,993
Accounts receivable, net	78,053
Due from other governments	<u>1,042</u>
Total Current Assets	<u>7,112,347</u>
Noncurrent Assets:	
Tax deeded property	243,035
Notes receivable	26,799
Capital assets:	
Non-depreciable capital assets	2,379,384
Depreciable capital assets, net	<u>2,426,155</u>
Total Noncurrent Assets	<u>5,075,373</u>
Total Assets	<u>12,187,720</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows attributable to pensions	<u>778,153</u>
Total Deferred Outflows of Resources	<u>778,153</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	6,955
Accrued expenses	117,849
Due to other governments	3,656,304
Current portion of capital leases payable	<u>131,569</u>
Total Current Liabilities	<u>3,912,677</u>
Noncurrent Liabilities:	
Deposits	57,976
Capital leases payable	121,600
Compensated absences payable	82,314
Net pension liability	<u>2,885,807</u>
Total Noncurrent Liabilities	<u>3,147,697</u>
Total Liabilities	<u>7,060,374</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned other revenue	39,738
Unearned tax revenue	6,210
Deferred outflows attributable to pensions	<u>36,441</u>
Total Deferred Inflows of Resources	<u>82,389</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,552,370
Restricted	502,964
Unrestricted	<u>767,776</u>
Total Net Position	<u>\$ 5,823,110</u>

*See accompanying notes to the basic financial statements*

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

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
General government	\$ 828,539	\$ 12,603		\$ (815,936)
Public safety	1,711,376	165,509	\$ 3,707	(1,542,160)
Highways and streets	615,370		102,442	(512,928)
Sanitation	210,214	51,176		(159,038)
Health and welfare	63,472	1,478		(61,994)
Culture and recreation	278,962	12,880		(266,082)
Economic development	434			(434)
Debt service	8,643			(8,643)
Total governmental activities	<u>\$ 3,717,010</u>	<u>\$ 243,646</u>	<u>\$ 106,149</u>	<u>(3,367,215)</u>
General revenues:				
Property and other taxes				2,246,571
Licenses and permits				909,906
Grants and contributions:				
Rooms and meals tax distribution				217,904
State and federal forest land				340
Interest and investment earnings				52,984
Miscellaneous				38,632
Contributions to permanent fund principal				2,100
Total general revenues				<u>3,468,437</u>
Change in net position				101,222
Net position at beginning of year				<u>5,721,888</u>
Net position at end of year				<u>\$ 5,823,110</u>

*See accompanying notes to the basic financial statements*

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,319,062	\$ 678,847	\$ 4,997,909
Investments	479,010	436,340	915,350
Taxes receivable, net	1,119,993		1,119,993
Accounts receivable, net	17,435	60,618	78,053
Due from other governments	1,042		1,042
Due from other funds		14,674	14,674
Tax dedeed property	243,035		243,035
Total Assets	<u>6,179,577</u>	<u>1,190,479</u>	<u>7,370,056</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 6,179,577</u>	<u>\$ 1,190,479</u>	<u>\$ 7,370,056</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 6,955		\$ 6,955
Accrued expenses	112,289		112,289
Due to other governments	3,656,304		3,656,304
Due to other funds	14,551	\$ 123	14,674
Total Liabilities	<u>3,790,099</u>	<u>123</u>	<u>3,790,222</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned other revenue	39,738		39,738
Unearned tax revenue	1,096,491		1,096,491
Total Deferred Inflows of Resources	<u>1,136,229</u>	<u>-</u>	<u>1,136,229</u>
Total Liabilities and Deferred Inflows of Resources	<u>4,926,328</u>	<u>123</u>	<u>4,926,451</u>
<b>FUND BALANCES</b>			
Nonspendable		368,465	368,465
Restricted		134,499	134,499
Committed	615,136	101,197	716,333
Assigned		586,195	586,195
Unassigned	638,113		638,113
Total Fund Balances	<u>1,253,249</u>	<u>1,190,356</u>	<u>2,443,605</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 6,179,577</u>	<u>\$ 1,190,479</u>	<u>\$ 7,370,056</u>

*See accompanying notes to the basic financial statements*

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

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 2,443,605
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.	4,805,539
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis	1,090,281
Other long-term assets are not available to pay current period expenditures, and, therefore, are not reported in governmental funds	26,799
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	778,153
Deferred inflows of resources related to net pension liability	(36,441)
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:	
Deposits payable	(57,976)
Capital leases payable	(253,169)
Accrued interest on long-term obligations	(5,560)
Compensated absences payable	(82,314)
Net pension liability	<u>(2,885,807)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 5,823,110</u>

*See accompanying notes to the basic financial statements*



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

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Taxes	\$ 2,368,893	\$ 11,805	\$ 2,380,698
Licenses and permits	909,906		909,906
Intergovernmental	324,393		324,393
Charges for services	55,919	187,727	243,646
Interest and investment income	7,230	45,759	52,989
Miscellaneous	30,209	10,518	40,727
Total Revenues	<u>3,696,550</u>	<u>255,809</u>	<u>3,952,359</u>
Expenditures:			
Current operations:			
General government	735,093	11,247	746,340
Public safety	1,475,810	53,929	1,529,739
Highways and streets	561,954		561,954
Sanitation	178,343		178,343
Health and welfare	63,472		63,472
Culture and recreation	232,823	18,678	251,501
Economic development	434		434
Capital outlay	429,318		429,318
Total Expenditures	<u>3,677,247</u>	<u>83,854</u>	<u>3,761,101</u>
Excess revenues over expenditures	<u>19,303</u>	<u>171,955</u>	<u>191,258</u>
Other financing sources (uses):			
Transfers in	121,138	897	122,035
Transfers out		(122,035)	(122,035)
Total other financing sources (uses)	<u>121,138</u>	<u>(121,138)</u>	<u>-</u>
Net change in fund balances	140,441	50,817	191,258
Fund balances at beginning of year	<u>1,112,808</u>	<u>1,139,539</u>	<u>2,252,347</u>
Fund balances at end of year	<u>\$ 1,253,249</u>	<u>\$ 1,190,356</u>	<u>\$ 2,443,605</u>

*See accompanying notes to the basic financial statements*

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

Net Change in Fund Balances - Governmental Funds (Exhibit D) \$ 191,258

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 outlay exceeded  
depreciation expense in the current period.

58,434

Revenues in the statement of activities that do not provide current  
financial resources are not reported as revenues in the funds.

(134,127)

Repayment of principal on capital leases payable is an expenditure  
in the governmental funds, but the repayment reduces long-term  
liabilities in the statement of net position.

130,888

In the statement of activities, interest is accrued on outstanding  
capital leases, whereas in governmental funds, an interest  
expenditure is reported when due.

307

Some expenses reported in the statement of activities, such as  
compensated absences, do not require the use of current financial  
resources and therefore, are not reported as expenditures in the  
governmental funds.

5,134

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 does not require the use of current  
financial resources. This is the amount by which pension  
expense exceeded pension contributions in the current period.

(150,672)

Change in Net Position of Governmental Activities (Exhibit B)

\$ 101,222

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

	Private- Purpose <u>Trust Funds</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents		\$ 25,838
Investments	\$ 40,028	493,076
Total assets	<u>40,028</u>	<u>\$ 518,914</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	<u>-</u>	
LIABILITIES		
Deposits		\$ 25,383
Due to other governments		493,076
Total liabilities	<u>-</u>	<u>\$ 518,459</u>
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	<u>-</u>	
NET POSITION		
Held in trust	<u>40,028</u>	
Total net position	<u>\$ 40,028</u>	

*See accompanying notes to the basic financial statements*

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

	<u>Private- Purpose Trust Funds</u>
ADDITIONS:	
Investment earnings:	
Interest	<u>\$        208</u>
Total Additions	<u>208</u>
DEDUCTIONS:	
Benefits	<u>100</u>
Total Deductions	<u>100</u>
Change in net position	108
Net position at beginning of year	<u>39,920</u>
Net position at end of year	<u><u>\$    40,028</u></u>

*See accompanying notes to the basic financial statements*

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

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

The accounting policies of the Town of Northwood, 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 Northwood, New Hampshire (the Town) was incorporated in 1773. The Town operates under the Town Meeting 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 NORTHWOOD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2016

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

***Fund Accounting***

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

**1. Governmental Funds:**

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

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

**2. Fiduciary Funds:**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private purpose trust funds and agency funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town maintains seven private purpose trust funds, which account for monies designated to benefit individuals within the Town. The Town's agency fund is custodial in nature (assets equal liabilities) and does not involve the measurement of results of operations. The Town's agency fund accounts for the capital reserve funds of the Northwood Water District, the Northwood School District and the Northwood Cove Village District, which are held by the Town as required by State law. Other agency funds consist of escrow funds from developers which are held by the Town.

***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, and 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,

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

expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include 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, the recording of unearned 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.

**2. Unearned Revenue:**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as

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

unearned revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as unearned revenue.

**3. Expenses/Expenditures:**

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

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

***Budgetary Data***

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

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2016, the Town applied \$446,000 of its unappropriated fund balance to reduce taxes.

***Investments***

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

***Accounts Receivable***

Accounts receivable are recorded net of reserves for estimated uncollectibles of \$53,736.

***Taxes Receivable***

Taxes levied during the current year and prior and uncollected at December 31, 2016 are recorded as receivables net of reserves for estimated uncollectible taxes of \$35,000.

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



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

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) or its intangible assets. Infrastructure records have been maintained effective January 1, 2004 and are included in these financial statements

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

<u>Description</u>	<u>Years</u>
Land improvements	20
Buildings and improvements	10-50
Infrastructure	5-7
Vehicles and equipment	5-20

***Compensated Absences***

All full-time employees may accumulate sick leave days to a maximum of 30 days. Any accumulated sick leave days in excess of 30 days is forfeited at the time of termination or retirement. Payment for unused sick leave up to two weeks is made upon termination and up to five weeks upon death. Dependent on the length of service and the number of hours worked weekly, full time employees earn vacation time of ten to twenty days per year. Dependent on the length of service, part-time employees earn vacation time at a pro-rata basis. The maximum accrual ranges from 15 to 25 days, dependent on the number of years of service. Every permanent part-time and full-time employee working at least 20 hours per week may accumulate personal leave days to a maximum of three days.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee termination 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. Capital leases and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

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

***Pensions***

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

***Net Position***

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

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

***Fund Balance Policy***

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

- Nonspendable Fund Balance: Amounts that are not in a spendable form or are required to be maintained intact.
- Restricted Fund Balance: Amounts constrained to specific purposes by their providers through constitutional provisions or by enabling legislation.
- Committed Fund Balance: Amounts constrained to specific purposes by a government itself using its highest level of decision-making authority: to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned Fund Balance: Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned Fund Balance: Amounts that are available for any purpose; these amounts are reported only in the General Fund, except for any deficit fund balance of another governmental fund.

**Spending Prioritizations**

In instances when 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

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

incurred for purposes for which amounts in any of the unrestricted fund balance classifications may be applied, committed resources are to be applied first, followed by assigned and unassigned.

Minimum Level of Unassigned Fund Balance

The Board will strive to achieve and maintain a minimum unassigned fund balance of 6% of the general fund's annual budget, including Town, School and County appropriations.

***Interfund Activity***

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

***Estimates***

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

**NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Other Post-Employment Benefits

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

**NOTE 3—DEPOSITS AND INVESTMENTS**

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

Statement of Net Position:	
Cash and cash equivalents	\$ 4,997,909
Investments	915,350
Statement of Fiduciary Net Position:	
Cash and cash equivalents	25,838
Investments	533,104
	<u>\$ 6,472,201</u>

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

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

Cash on hand	\$ 230
Deposits with financial institutions	5,023,517
Investments	<u>1,448,454</u>
	<u>\$ 6,472,201</u>

The Town's investment policy for governmental funds requires that deposits be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The Town limits its investments to demand deposits, money market accounts, certificates of deposit, and overnight repurchase agreements in accordance with New Hampshire State law (RSA 41:29) or the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. Responsibility for the investments of the expendable trust funds, permanent funds, private purpose trust funds, and agency funds is with the Trustee of Trust Funds.

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The Town requires that its investments be invested in securities maturing in less than one year. The Trustees of Trust Funds have no policy regarding interest rate risk.

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>		Remaining Maturity (in Years)
		<u>&gt; 5 Years</u>
Corporate bonds	<u>\$ 32,717</u>	<u>\$ 32,717</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 has no policy regarding credit risk for its governmental funds as of December 31, 2016. The following is the actual rating at year end for each investment type:

<u>Investment Type</u>		Rating as of Year End		
		<u>AAAm</u>	<u>BBB</u>	<u>Not rated</u>
Money market funds	\$ 3,197			\$ 3,197
Corporate bonds	32,717		\$ 32,717	
Mutual funds	310,804			310,804
State investment pool	<u>968,384</u>	<u>\$ 968,384</u>		
	<u>\$ 1,315,102</u>	<u>\$ 968,384</u>	<u>\$ 32,717</u>	<u>\$ 314,001</u>

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

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town has an investment policy for assurance against custodial credit risk which requires collateralization for all deposits not covered by Federal Deposit Insurance.

Of the Town's deposits with financial institutions at year end, \$4,726,597 was collateralized by securities held by the bank in the bank's name.

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

<u>Investment Type</u>	<u>Reported Amount</u>
Mutual funds	\$ 310,804
Equity securities	133,354
Corporate bonds	32,717
Money market funds	3,197
	<u>\$ 480,072</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.

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

<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:			
Debt securities:			
Corporate bonds	\$ 32,717	\$ 32,717	
Mutual funds	310,804	\$ 310,804	
Equity securities	133,354	133,354	
	<u>\$ 476,875</u>	<u>\$ 133,354</u>	<u>\$ 343,521</u>
			<u>\$ -</u>

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

***Investment in NHPDIP***

The Town is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by State law and is administered by a public body of state, local and banking officials.

The Town's exposure to derivatives is indirect through its participation in the NHPDIP. The Town's proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the amortized value of the pool shares.

**NOTE 4—CAPITAL ASSETS**

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

	Balance 1/1/2016	Additions	Reductions	Balance 12/31/2016
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 2,097,048			\$ 2,097,048
Construction in progress	12,360	\$ 269,976		282,336
Total capital assets not being depreciated	2,109,408	269,976	\$ -	2,379,384
Other capital assets:				
Land improvements	369,111	221,337		590,448
Buildings and improvements	831,355	39,800		871,155
Infrastructure	2,321,092	136,244		2,457,336
Vehicles and equipment	2,667,456	20,403	(297,043)	2,390,816
Total other capital assets at historical cost	6,189,014	417,784	(297,043)	6,309,755
Less accumulated depreciation for:				
Land improvements	(171,760)	(22,325)		(194,085)
Buildings and improvements	(391,960)	(20,416)		(412,376)
Infrastructure	(1,412,175)	(200,154)		(1,612,329)
Vehicles and equipment	(1,575,422)	(116,455)	27,067	(1,664,810)
Total accumulated depreciation	(3,551,317)	(359,350)	27,067	(3,883,600)
Total other capital assets, net	2,637,697	58,434	(269,976)	2,426,155
Total capital assets, net	\$ 4,747,105	\$ 328,410	\$ (269,976)	\$ 4,805,539

Depreciation expense was charged to governmental functions as follows:

General government	\$ 27,473
Public safety	92,555
Highways and streets	221,746
Sanitation	5,887
Culture and recreation	11,689
Total governmental activities depreciation expense	\$ 359,350

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

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

Vehicles and equipment	\$ 662,658
Less accumulated depreciation	(125,294)
	<u>\$ 537,364</u>

**NOTE 5—DEFINED BENEFIT PENSION PLAN**

***Plan Description***

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

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

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

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

***Benefits Provided***

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

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

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

years of age by 1/4 of 1%. For Group II members who commenced service prior to July 1, 2011, who have not attained vested status prior to January 1, 2012, benefits are calculated depending on age and years of creditable service as follows:

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

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

***Funding Policy***

Covered police officers and fire employees are required to contribute 11.55% and 11.80%, respectively, of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers, fire employees, and general employees were 22.54%, 25.32%, and 10.86%, respectively. The Town contributed 100% of the employer cost for public 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. Contributions to the pension plan for the Town were \$202,960 for the year ended December 31, 2016.

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

At December 31, 2016, the Town reported a liability of \$2,885,807 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2015. The Town's proportion of the net pension liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2016, the Town's proportion was approximately 0.0543 percent, which was an increase of 0.0029 percentage points from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Town recognized pension expense of \$353,496. At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



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

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 8,020	\$ 36,441
Changes of assumptions	355,151	
Net difference between projected and actual earnings on pension plan investments	180,551	
Changes in proportion and differences between Town contributions and proportionate share of contributions	127,357	
Town contributions subsequent to the measurement date	<u>107,074</u>	<u>          </u>
Total	<u>\$ 778,153</u>	<u>\$ 36,441</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions is reflected as an increase to unrestricted net position in the amount of \$741,712. The Town reported \$107,074 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense in the measurement period as follows:

<u>June 30,</u>	
2017	\$134,731
2018	134,731
2019	195,839
2020	160,875
2021	<u>8,462</u>
	<u>\$634,638</u>

***Actuarial Assumptions***

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

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

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

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

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

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

***Discount Rate***

The discount rate used to measure the collective pension liability was 7.25%, a decrease of .50% from the June 30, 2015 measurement date. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer contributions are projected based on the expected payroll of current members only. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the collective pension liability.

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

***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 (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability	\$ 3,708,065	\$ 2,885,807	\$ 2,203,874

**NOTE 6—LONG-TERM OBLIGATIONS**

***Changes in Long-Term Obligations***

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

	Balance 1/1/2016	Additions	Reductions	Balance 12/31/2016	Due Within One Year
Governmental activities:					
Capital leases payable	\$ 384,057		\$ (130,888)	\$ 253,169	\$ 131,569
Compensated absences payable	87,447	\$ 17,303	(22,436)	82,314	
	<u>\$ 471,504</u>	<u>\$ 17,303</u>	<u>\$ (153,324)</u>	<u>\$ 335,483</u>	<u>\$ 131,569</u>

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

***Capital Lease Obligations***

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

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

Ambulance, due in annual installments of \$47,476 including interest at 3.37%, through May 2017	\$ 45,928
Police cruisers, due in annual installments of \$22,069 including interest at 5.95%, through May 2017	20,830
Lifepak rescue equipment, due in semi-annual installments of \$6,691 at 0% interest, through September 2018	26,763
Fire truck, due in annual installments of \$56,912, including interest at 3.419%, through May 2019	<u>159,648</u>
	<u>\$ 253,169</u>

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

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 131,569	\$ 8,270	\$ 139,839
2018	66,577	3,716	70,293
2019	55,023	1,889	56,912
	<u>\$ 253,169</u>	<u>\$ 13,875</u>	<u>\$ 267,044</u>

**NOTE 7—INTERFUND BALANCES AND TRANSFERS**

During the year, the General Fund expended funds on behalf of various nonmajor governmental funds for a range of activities that will be reimbursed by the applicable fund. Additionally, income from the Permanent Funds is distributed to the General Fund.

Interfund balances at December 31, 2016 are as follows:

	<u>General</u> <u>Fund</u>	<u>Due from</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Totals</u>
<u>Due to</u> Nonmajor Governmental Funds	\$ 14,551	123	14,674
	<u>\$ 14,551</u>	<u>\$ 123</u>	<u>\$ 14,674</u>

During the year, several interfund transactions occurred between funds. The transfers out of the Nonmajor Governmental Funds were made in accordance with budgetary authorizations and to distribute the earned income during the year to support the Town's programs.

Interfund transfers for the year ended December 31, 2016 are as follows:

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

	Transfer from	
	Nonmajor Governmental Funds	Totals
General Fund	\$ 121,138	\$ 121,138
Nonmajor Governmental Funds	897	897
	<u>\$ 122,035</u>	<u>\$ 122,035</u>

**NOTE 8—RESTRICTED NET POSITION**

Net position is restricted for specific purposes at December 31, 2016 as follows:

Permanent Funds - Principal	\$ 368,465
Permanent Funds - Income	<u>134,499</u>
	<u>\$ 502,964</u>

**NOTE 9—COMPONENTS OF FUND BALANCE**

The Town's fund balance components are comprised as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable</b>			
Permanent Funds - Principal		\$ 368,465	\$ 368,465
<b>Restricted for:</b>			
Permanent Funds - Income		134,499	134,499
<b>Committed for:</b>			
Encumbrances	\$ 88,347		88,347
Expendable Trust Funds	312,837		312,837
Capital Reserve Funds	164,411		164,411
Police Details Fund		74,217	74,217
Recreation Revolving Fund		26,980	26,980
Subsequent years' expenditures	49,541		49,541
<b>Assigned for:</b>			
Library Fund		15,670	15,670
Conservation Commission		76,702	76,702
Ambulance Replacement Fund		472,742	472,742
Forest Maintenance Fund		3,440	3,440
Lagoon Fees Fund		17,641	17,641
<b>Unassigned</b>	<u>638,113</u>		<u>638,113</u>
	<u>\$ 1,253,249</u>	<u>\$ 1,190,356</u>	<u>\$ 2,443,605</u>

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

**NOTE 10—PROPERTY TAXES**

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$461,751,883 as of April 1, 2016) and are due in two installments on July 1, 2016 and December 8, 2016. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

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

In accordance with State law, the Town collects taxes for the Northwood School District, Rockingham County and Northwood Cove Village 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 \$8,454,523, \$486,124 and \$12,841 for the Northwood School District, Rockingham County and Northwood Cove Village District, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes. At December 31, 2016, the balance of the property tax appropriation due to the Northwood School District is \$3,654,523 and has been reported as 'Due to other governments' in these financial statements.

**NOTE 11—RISK MANAGEMENT**

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2016, the Town was a member of and participated in public entity risk pools (Trusts) 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 Trusts 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 Trusts foresee no likelihood of additional assessments for any of the past years. Claim expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2016.

***Property and Liability Insurance***

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

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

Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

***Worker's Compensation***

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

**NOTE 12—COMMITMENTS AND CONTINGENCIES**

***Litigation***

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

SCHEDULE 1

**TOWN OF NORTHWOOD, NEW HAMPSHIRE**

**Schedule of Revenues, Expenditures and Changes in Fund Balance**

**Budget and Actual (Budgetary Basis) - General Fund**

For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Taxes	\$ 2,197,366	\$ 2,197,366	\$ 2,234,766	\$ 37,400
Licenses and permits	757,201	757,201	909,906	152,705
Intergovernmental	320,786	320,786	324,393	3,607
Charges for services	37,540	37,540	55,919	18,379
Interest income	1,000	1,000	1,548	548
Miscellaneous	6,700	6,700	30,209	23,509
Total Revenues	<u>3,320,593</u>	<u>3,320,593</u>	<u>3,556,741</u>	<u>236,148</u>
Expenditures:				
Current operations:				
General government	778,563	778,563	737,071	41,492
Public safety	1,553,161	1,553,161	1,483,253	69,908
Highways and streets	645,368	645,368	565,234	80,134
Sanitation	173,790	173,790	182,443	(8,653)
Health and welfare	76,108	76,108	63,609	12,499
Culture and recreation	278,402	278,402	230,844	47,558
Economic development	6,700	6,700	434	6,266
Capital outlay	250,144	250,144	249,000	1,144
Debt service:				
Interest and fiscal charges	<u>1</u>	<u>1</u>	<u>-</u>	<u>1</u>
Total Expenditures	<u>3,762,237</u>	<u>3,762,237</u>	<u>3,511,888</u>	<u>250,349</u>
Excess revenues over (under) expenditures	<u>(441,644)</u>	<u>(441,644)</u>	<u>44,853</u>	<u>486,497</u>
Other financing sources (uses):				
Transfers in	136,760	136,760	135,619	(1,141)
Transfers out	<u>(203,106)</u>	<u>(203,106)</u>	<u>(203,106)</u>	<u>-</u>
Total other financing sources (uses)	<u>(66,346)</u>	<u>(66,346)</u>	<u>(67,487)</u>	<u>(1,141)</u>
Net change in fund balance	(507,990)	(507,990)	(22,634)	485,356
Fund balance at beginning of year				
- Budgetary Basis	<u>1,769,392</u>	<u>1,769,392</u>	<u>1,769,392</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 1,261,402</u>	<u>\$ 1,261,402</u>	<u>\$ 1,746,758</u>	<u>\$ 485,356</u>

See accompanying notes to the required supplementary information



SCHEDULE 2

**TOWN OF NORTHWOOD, NEW HAMPSHIRE**

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

For the Year Ended December 31, 2016

	For the Measurement Period Ended June 30:			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Town's proportion of the net pension liability (asset)	0.0543%	0.0514%	0.0512%	0.0499%
Town's proportionate share of the net pension liability (asset)	\$ 2,885,807	\$ 2,035,204	\$ 1,922,913	\$ 2,146,887
Town's covered payroll	\$ 989,590	\$ 885,212	\$ 852,611	\$ 824,686
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	291.62%	229.91%	225.53%	260.33%
Plan fiduciary net position as a percentage of the total pension liability	58.30%	65.47%	66.32%	59.81%

*See accompanying notes to the required supplementary information*

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 202,960	\$ 184,539	\$ 169,515	\$ 143,523
Contributions in relation to the contractually required contribution	<u>(202,960)</u>	<u>(184,539)</u>	<u>(169,515)</u>	<u>(143,523)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 1,047,762	\$ 939,516	\$ 868,275	\$ 828,457
Contributions as a percentage of covered-employee payroll	19.37%	19.64%	19.52%	17.32%

*See accompanying notes to the required supplementary information*

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

**NOTE 1— BUDGET TO ACTUAL RECONCILIATION**

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

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 3,817,688	\$ 3,677,247
Difference in property taxes meeting susceptible to accrual criteria	(134,127)	
Encumbrances, December 31, 2016		88,347
Encumbrances, December 31, 2015		(73,388)
Budgetary transfers in and out	31,231	203,106
Non-budgetary transfers in	(16,750)	
Non-budgetary revenues and expenditures	<u>(5,682)</u>	<u>(180,318)</u>
Per Schedule 1	<u>\$ 3,692,360</u>	<u>\$ 3,714,994</u>

**NOTE 2— BUDGETARY FUND BALANCES**

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

<b><i>Committed:</i></b>	
Subsequent years' expenditures	\$ 49,541
<b><i>Unassigned:</i></b>	
Unassigned- general operations	<u>1,697,217</u>
	<u>\$ 1,746,758</u>

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

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

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

***Changes in Assumptions***

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

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

	Special Revenue Funds									
	Library Fund	Recreation Revolving Fund	Conservation Commission Fund	Ambulance Replacement Fund	Lagoon Fees Fund	Police Details Fund	Forest Maintenance Fund	Total Special Revenue Funds	Permanent Funds	Combining Totals
<b>ASSETS</b>										
Cash and cash equivalents	\$ 15,547	\$ 26,980	\$ 62,397	\$ 421,387	\$ 17,641	\$ 64,708	\$ 3,440	\$ 612,100	\$ 66,747	\$ 678,847
Investments								-	436,340	436,340
Accounts receivable, net				51,355		9,263		60,618		60,618
Due from other funds	123		14,305			246		14,674		14,674
Total Assets	<u>15,670</u>	<u>26,980</u>	<u>76,702</u>	<u>472,742</u>	<u>17,641</u>	<u>74,217</u>	<u>3,440</u>	<u>687,392</u>	<u>503,087</u>	<u>1,190,479</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>										
Total Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 15,670</u>	<u>\$ 26,980</u>	<u>\$ 76,702</u>	<u>\$ 472,742</u>	<u>\$ 17,641</u>	<u>\$ 74,217</u>	<u>\$ 3,440</u>	<u>\$ 687,392</u>	<u>\$ 503,087</u>	<u>\$1,190,479</u>
<b>LIABILITIES</b>										
Due to other funds								-	\$ 123	\$ 123
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>123</u>	<u>123</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>										
Total Deferred Inflows of Resources										
Total Liabilities and Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>123</u>	<u>123</u>
<b>FUND BALANCES</b>										
Nonspendable									368,465	368,465
Restricted									134,499	134,499
Committed		26,980				74,217		101,197		101,197
Assigned	15,670		76,702	472,742	17,641		3,440	586,195		586,195
Total Fund Balances	<u>15,670</u>	<u>26,980</u>	<u>76,702</u>	<u>472,742</u>	<u>17,641</u>	<u>74,217</u>	<u>3,440</u>	<u>687,392</u>	<u>502,964</u>	<u>1,190,356</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 15,670</u>	<u>\$ 26,980</u>	<u>\$ 76,702</u>	<u>\$ 472,742</u>	<u>\$ 17,641</u>	<u>\$ 74,217</u>	<u>\$ 3,440</u>	<u>\$ 687,392</u>	<u>\$ 503,087</u>	<u>\$1,190,479</u>

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

	Special Revenue Funds									
	Library Fund	Recreation Revolving Fund	Conservation Commission Fund	Ambulance Replacement Fund	Lagoon Fees Fund	Police Details Fund	Forest Maintenance Fund	Total Special Revenue Funds	Permanent Funds	Combining Totals
Revenues:										
Taxes			\$ 11,805					\$ 11,805		\$ 11,805
Charges for services		\$ 12,880		\$ 84,100	\$ 16,575	\$ 74,172		187,727		187,727
Interest and investment income		43	78	425	18	77	\$ 5	646	\$ 45,113	45,759
Miscellaneous	\$ 4,708			275			3,435	8,418	2,100	10,518
Total Revenues	<u>4,708</u>	<u>12,923</u>	<u>11,883</u>	<u>84,800</u>	<u>16,593</u>	<u>74,249</u>	<u>3,440</u>	<u>208,596</u>	<u>47,213</u>	<u>255,809</u>
Expenditures:										
Current operations:										
General government									11,247	11,247
Public safety						53,929		53,929		53,929
Culture and recreation	<u>3,193</u>	<u>15,485</u>						<u>18,678</u>		<u>18,678</u>
Total Expenditures	<u>3,193</u>	<u>15,485</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,929</u>	<u>-</u>	<u>72,607</u>	<u>11,247</u>	<u>83,854</u>
Excess revenues over (under) expenditures	<u>1,515</u>	<u>(2,562)</u>	<u>11,883</u>	<u>84,800</u>	<u>16,593</u>	<u>20,320</u>	<u>3,440</u>	<u>135,989</u>	<u>35,966</u>	<u>171,955</u>
Other financing sources (uses):										
Transfers in	897							897		897
Transfers out				(104,388)	(16,750)			(121,138)	(897)	(122,035)
Total other financing sources (uses)	<u>897</u>	<u>-</u>	<u>-</u>	<u>(104,388)</u>	<u>(16,750)</u>	<u>-</u>	<u>-</u>	<u>(120,241)</u>	<u>(897)</u>	<u>(121,138)</u>
Net change in fund balances	2,412	(2,562)	11,883	(19,588)	(157)	20,320	3,440	15,748	35,069	50,817
Fund balances at beginning of year	<u>13,258</u>	<u>29,542</u>	<u>64,819</u>	<u>492,330</u>	<u>17,798</u>	<u>53,897</u>	<u>-</u>	<u>671,644</u>	<u>467,895</u>	<u>1,139,539</u>
Fund balances at end of year	\$ <u>15,670</u>	\$ <u>26,980</u>	\$ <u>76,702</u>	\$ <u>472,742</u>	\$ <u>17,641</u>	\$ <u>74,217</u>	\$ <u>3,440</u>	\$ <u>687,392</u>	\$ <u>502,964</u>	\$ <u>1,190,356</u>