

TOWN OF HOLLIS, NEW HAMPSHIRE
Annual Financial Statements
For the Year Ended December 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Hollis, New Hampshire

Additional Offices:
Andover, MA
Greenfield, MA
Manchester, NH
Ellsworth, ME

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 Hollis, 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

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

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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Town'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 Town'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Hollis, New Hampshire, as of December 31, 2016, and the respective changes in financial position and the respective budgetary comparison for the General Fund 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 Management's Discussion and Analysis and the Pension and OPEB schedules appearing on pages 45 to 47, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated June 9, 2017 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report

is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

Melanson Heath

June 9, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned time off).

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

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available

at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs.

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$29,274,173 (i.e., net position), a change of \$435,085 in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$6,426,596, a change of \$790,919 in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$3,328,391, a change of \$308,943 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>	
	<u>Governmental Activities</u>	
	<u>2016</u>	<u>2015</u>
Assets:		
Current and other assets	\$ 14,432,269	\$ 12,622,331
Capital assets	<u>36,044,391</u>	<u>36,653,911</u>
Total assets	50,476,660	49,276,242
Deferred outflows	<u>2,318,836</u>	<u>776,761</u>
Total assets and deferred outflows	<u>\$ 52,795,496</u>	<u>\$ 50,053,003</u>
Liabilities:		
Current liabilities	\$ 7,538,697	\$ 6,734,614
Noncurrent liabilities	<u>15,874,656</u>	<u>14,087,296</u>
Total liabilities	23,413,353	20,821,910
Deferred inflows	107,970	392,005
Net position:		
Net investment in capital assets	29,998,053	29,863,836
Restricted	1,897,123	1,655,947
Unrestricted	<u>(2,621,003)</u>	<u>(2,680,695)</u>
Total net position	<u>29,274,173</u>	<u>28,839,088</u>
Total liabilities, deferred inflows and net position	<u>\$ 52,795,496</u>	<u>\$ 50,053,003</u>

CHANGE IN NET POSITION

	Governmental <u>Activities</u>	
	<u>2016</u>	<u>2015</u>
Revenues:		
Program revenues:		
Charges for services	\$ 682,899	\$ 678,377
Operating grants and contributions	4,800	5,461
Capital grants and contributions	285,124	279,683
General revenues:		
Property taxes	7,145,607	7,196,159
Licenses and permits	1,896,170	1,926,358
Penalties, interest, and other taxes	195,590	276,928
Grants and contributions not restricted to specific programs	400,999	388,820
Investment income	102,240	29,834
Miscellaneous	<u>73,427</u>	<u>40,615</u>
Total revenues	10,786,856	10,822,235
Expenses:		
General government	3,502,395	3,370,674
Public safety	3,662,526	3,913,493
Highways and streets	1,991,946	2,103,843
Sanitation	469,708	453,681
Health and welfare	48,289	35,514
Culture and recreation	480,168	495,340
Conservation	11,181	10,155
Interest	<u>185,558</u>	<u>184,475</u>
Total expenses	<u>10,351,771</u>	<u>10,567,175</u>
Change in net position	435,085	255,060
Net position - beginning of year	<u>28,839,088</u>	<u>28,584,028</u>
Net position - end of year	<u>\$ 29,274,173</u>	<u>\$ 28,839,088</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The largest portion of net position, \$29,998,053, reflects our investment in capital assets (e.g., land, buildings and improvements, machinery, equipment, and furnishings, infrastructure, and construction in progress), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt,

it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$1,897,123, represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position has a negative balance of \$(2,621,003) for the fiscal year. This resulted from the adoption of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* during fiscal year 2015. This statement established standards for the measurement, recognition, and presentation of net position liability in the Town's financial statements. Net pension liabilities recorded on the statement of net position in accordance with GASB Statement No. 68 totaled \$8,550,395 for the year ended December 31, 2016.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$435,085. Key elements of this change are as follows:

General fund revenues in excess of expenditures	\$ 509,452
Capital asset additions from current year revenues	496,463
Increase in net pension liability	(2,275,105)
Decrease in pension related deferred inflows and outflows of resources	1,838,967
Increase in net OPEB liability	(66,434)
Other	<u>(68,258)</u>
Total	<u>\$ 435,085</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$6,426,596, a change of \$790,919 in comparison to the prior year. Key elements of this change are as follows:

General fund revenues and other financing sources over expenditures and other financing uses	\$ 590,133
Ambulance fund revenues over expenditures	69,910
Conservation fund revenues over expenditures	80,220
Permanent trust funds revenues over expenditures	50,391
Other	<u>265</u>
Total	<u>\$ 790,919</u>

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$3,328,391, while total fund balance was \$4,569,863. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>Change</u>	<u>Percentage of Total Town, School, and County Appropriations</u>
Unassigned fund balance	\$ 3,328,391	\$ 3,019,448	\$ 308,943	11%
Total fund balance	\$ 4,569,863	\$ 3,979,730	\$ 590,133	15%

The fund balance of the general fund changed by \$590,133 during the current year. Key factors in this change are as follows:

Use of unassigned fund balance	\$ (331,000)
Use of assigned fund balance	(28,925)
Revenues greater than budget	200,954
Expenditures less than budget	403,102
Current year appropriation carryforwards	173,880
Change in capital reserve funds	103,464
Taxes collected in excess of budget	<u>68,658</u>
Total	<u>\$ 590,133</u>

Included in the total general fund balance are the Town's capital reserve funds with an ending balance of \$279,208, a change of \$103,465 in comparison to the prior year.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$28,925. This change relates to a carry-forward from the prior year budget that was expended in the current year.

The difference between the final amended budget and actual results is a positive variance of \$604,056 with revenues and other sources over estimated budgets by \$200,954 and expenditures and other uses less than the estimated budget by \$403,102. Significant variances include:

- Positive variance in Licenses and Permits of \$130,137 is mainly attributed to motor vehicle permits with an excess of \$110,451 over budget. This is due to an increase in motor vehicle registrations.
- Positive variance in General Government of \$177,385 is mainly attributed to a position vacancy and savings in health insurance and workers compensation costs.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to \$36,044,391 (net of accumulated depreciation), a change of \$(430,391) from the prior year. This investment in capital assets includes land, buildings and improvements, machinery, equipment, and furnishings, infrastructure, and construction in progress.

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

- Capital lease for the highway and streets department of a Volvo loader for \$203,606 and an International truck with plow for \$145,691. Two old pieces of equipment were traded in.
- Public safety purchase of a Ford Interceptor police cruiser for \$38,337

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

Credit rating. The Town maintained the Moody Investor Services rating of Aa2 during the year. The prior year rating upgrade reflected the Town's moderately-sized tax base with above average wealth levels, manageable debt burden, and a multiple year trend of improving financial operations and healthy reserves.

Long-term debt. At the end of the current year, total bonded debt outstanding was \$5,624,000, all of which was backed by the full faith and credit of the government. The Town did not issue any new debt during the year.

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

REQUESTS FOR INFORMATION

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

Office of the Finance Director
Town of Hollis, New Hampshire
7 Monument Square
Hollis, New Hampshire 03049

TOWN OF HOLLIS, NEW HAMPSHIRE
STATEMENT OF NET POSITION
DECEMBER 31, 2016

	<u>Governmental Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 12,351,146
Investments	946,902
Receivables:	
Property taxes	641,009
Departmental and other	41,875
Intergovernmental	46,381
Other assets	<u>233,337</u>
Total current assets	14,260,650
Noncurrent:	
Receivables:	
Property taxes, net of allowance for uncollectibles	171,619
Capital assets:	
Land and construction in progress	22,593,530
Other capital assets, net of accumulated depreciation	<u>13,450,861</u>
Total noncurrent assets	<u>36,216,010</u>
Total Assets	50,476,660
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	2,074,550
Other	<u>244,286</u>
Total deferred outflows of resources	<u>2,318,836</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ <u>52,795,496</u>
LIABILITIES	
Current:	
Accounts payable	\$ 41,970
Due to school districts	6,795,807
Accrued expenses	126,709
Unearned revenue	40,086
Other liabilities	477,610
Accrued interest payable	56,515
Current portion of noncurrent liabilities:	
Bonds payable	695,000
Compensated absences	26,988
Capital leases	<u>246,388</u>
Total current liabilities	8,507,073
Noncurrent:	
Bonds payable, net of current portion	4,929,000
Compensated absences, net of current portion	242,886
Capital leases, net of current portion	420,236
Net OPEB obligation	763,763
Net pension liability	<u>8,550,395</u>
Total noncurrent liabilities	<u>14,906,280</u>
Total Liabilities	23,413,353
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	107,970
NET POSITION	
Net investment in capital assets	29,998,053
Restricted externally or constitutionally for:	
Grants and enabling legislation	1,004,750
Permanent funds:	
Nonspendable	614,316
Spendable	278,057
Unrestricted	<u>(2,621,003)</u>
Total Net Position	<u>29,274,173</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ <u>52,795,496</u>

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

TOWN OF HOLLIS, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2016

		Program Revenues			Net (Expenses) Revenues
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:					
General government	\$ 3,502,395	\$ 131,814	\$ -	\$ -	\$ (3,370,581)
Public safety	3,662,526	435,424	-	60,440	(3,166,662)
Highways and streets	1,991,946	9,875	-	224,684	(1,757,387)
Sanitation	469,708	44,544	-	-	(425,164)
Health and welfare	48,289	914	-	-	(47,375)
Culture and recreation	480,168	60,328	4,800	-	(415,040)
Conservation	11,181	-	-	-	(11,181)
Interest	185,558	-	-	-	(185,558)
Total	<u>\$ 10,351,771</u>	<u>\$ 682,899</u>	<u>\$ 4,800</u>	<u>\$ 285,124</u>	<u>(9,378,948)</u>
General Revenues and Contributions:					
					7,145,607
					1,896,170
					195,590
					400,999
					102,240
					73,427
					9,814,033
					435,085
Net Position:					
					28,839,088
					\$ 29,274,173

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

TOWN OF HOLLIS, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2016

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and short-term investments	\$ 11,371,466	\$ 979,680	\$ 12,351,146
Investments	-	946,902	946,902
Receivables:			
Property taxes	882,628	-	882,628
Departmental and other	1,485	40,390	41,875
Intergovernmental	46,381	-	46,381
Due from other funds	79,313	400	79,713
Other assets	233,336	-	233,336
TOTAL ASSETS	<u>\$ 12,614,609</u>	<u>\$ 1,967,372</u>	<u>\$ 14,581,981</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 37,005	\$ 4,966	\$ 41,971
Accrued expenses	126,709	-	126,709
Due to school districts	6,795,807	-	6,795,807
Due to other funds	14,430	65,283	79,713
Unearned revenue	40,086	-	40,086
Other liabilities	477,610	-	477,610
TOTAL LIABILITIES	7,491,647	70,249	7,561,896
Deferred Inflows of Resources:			
Unavailable revenues	553,099	40,390	593,489
Fund Balances:			
Nonspendable	229,384	614,316	843,700
Restricted	-	1,242,417	1,242,417
Committed	598,808	-	598,808
Assigned	413,280	-	413,280
Unassigned	3,328,391	-	3,328,391
TOTAL FUND BALANCES	<u>4,569,863</u>	<u>1,856,733</u>	<u>6,426,596</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 12,614,609</u>	<u>\$ 1,967,372</u>	<u>\$ 14,581,981</u>

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

TOWN OF HOLLIS, NEW HAMPSHIRE

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

DECEMBER 31, 2016

Total governmental fund balances	\$ 6,426,596
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	36,044,391
• Property taxes and other revenues are recognized on the accrual basis of accounting in the Statement of Net Position, not the modified accrual basis	523,489
• Deferred inflows and outflows of resources related to pension and bond refunding are not financial resources nor are they available to pay current-period expenditures. Inflows and outflows consist of:	
Pension related deferred outflows	2,074,550
Bond refunding deferred outflows	244,286
Pension related deferred inflows	(107,970)
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(56,513)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Long-term liabilities at year end consist of:	
Bonds payable	(5,624,000)
Compensated absences	(269,874)
Capital leases	(666,624)
Net OPEB obligation	(763,763)
Net pension liability	<u>(8,550,395)</u>
Net position of governmental activities	<u>\$ 29,274,173</u>

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

TOWN OF HOLLIS, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2016

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Property taxes	\$ 6,964,717	\$ 91,365	\$ 7,056,082
Penalties, interest, and other taxes	195,590	-	195,590
Licenses and permits	2,030,912	-	2,030,912
Charges for services	339,373	230,093	569,466
Intergovernmental	625,683	4,800	630,483
Investment income	24,720	77,518	102,238
Miscellaneous	99,539	-	99,539
	<hr/>	<hr/>	<hr/>
Total Revenues	10,280,534	403,776	10,684,310
Expenditures:			
Current:			
General government	3,344,027	13,017	3,357,044
Public safety	2,902,987	89,342	2,992,329
Highways and streets	1,493,221	-	1,493,221
Sanitation	469,708	-	469,708
Health and welfare	48,253	36	48,289
Culture and recreation	39,865	370,608	410,473
Conservation	-	11,181	11,181
Debt service:			
Principal	939,341	-	939,341
Interest	166,405	-	166,405
Capital outlay	367,275	-	367,275
	<hr/>	<hr/>	<hr/>
Total Expenditures	9,771,082	484,184	10,255,266
Excess (deficiency) of revenues over expenditures	509,452	(80,408)	429,044
Other Financing Sources (Uses):			
Issuance of capital lease	361,875	-	361,875
Transfers in	8,148	297,512	305,660
Transfers out	(289,342)	(16,318)	(305,660)
	<hr/>	<hr/>	<hr/>
Total Other Financing Sources (Uses)	80,681	281,194	361,875
Change in fund balance	590,133	200,786	790,919
Fund Balance, at Beginning of Year	3,979,730	1,655,947	5,635,677
	<hr/>	<hr/>	<hr/>
Fund Balance, at End of Year	\$ 4,569,863	\$ 1,856,733	\$ 6,426,596
	<hr/>	<hr/>	<hr/>

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

TOWN OF HOLLIS, 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 changes in fund balances - total governmental funds	\$ 790,919																								
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="margin-left: 40px; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Capital asset purchases, net of disposals</td> <td style="text-align: right;">524,862</td> </tr> <tr> <td style="padding-left: 20px;">Depreciation</td> <td style="text-align: right;">(955,254)</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., property taxes) differ between the two statements. 68,217 • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="margin-left: 40px; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Repayment of bonds</td> <td style="text-align: right;">702,000</td> </tr> <tr> <td style="padding-left: 20px;">Amortization of gain on refunding</td> <td style="text-align: right;">(12,857)</td> </tr> <tr> <td style="padding-left: 20px;">Proceeds of capital lease</td> <td style="text-align: right;">(361,875)</td> </tr> <tr> <td style="padding-left: 20px;">Repayment of capital leases</td> <td style="text-align: right;">237,341</td> </tr> <tr> <td style="padding-left: 20px;">Change in capital lease escrow</td> <td style="text-align: right;">(26,113)</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. (6,296) • Some expenses reported in the Statement of Activities, such as compensated absences, net pension liability and net OPEB obligation, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. <table style="margin-left: 40px; border-collapse: collapse;"> <tr> <td style="padding-left: 20px;">Net pension liability</td> <td style="text-align: right;">(2,275,105)</td> </tr> <tr> <td style="padding-left: 20px;">Pension related deferred outflows of resources</td> <td style="text-align: right;">1,554,932</td> </tr> <tr> <td style="padding-left: 20px;">Pension related deferred inflows of resources</td> <td style="text-align: right;">284,035</td> </tr> <tr> <td style="padding-left: 20px;">Compensated absences</td> <td style="text-align: right;">(23,287)</td> </tr> <tr> <td style="padding-left: 20px;">Net OPEB obligation</td> <td style="text-align: right;"><u>(66,434)</u></td> </tr> </table> 	Capital asset purchases, net of disposals	524,862	Depreciation	(955,254)	Repayment of bonds	702,000	Amortization of gain on refunding	(12,857)	Proceeds of capital lease	(361,875)	Repayment of capital leases	237,341	Change in capital lease escrow	(26,113)	Net pension liability	(2,275,105)	Pension related deferred outflows of resources	1,554,932	Pension related deferred inflows of resources	284,035	Compensated absences	(23,287)	Net OPEB obligation	<u>(66,434)</u>	
Capital asset purchases, net of disposals	524,862																								
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Pension related deferred inflows of resources	284,035																								
Compensated absences	(23,287)																								
Net OPEB obligation	<u>(66,434)</u>																								
Change in net position of governmental activities	\$ <u><u>435,085</u></u>																								

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

TOWN OF HOLLIS, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2016

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original Budget	From Prior Years' Budgets	Final Budget		
Revenues and Other Sources:					
Property taxes	\$ 6,896,059	\$ -	\$ 6,896,059	\$ 6,896,059	\$ -
Penalties, interest, and other taxes	158,130	-	158,130	195,590	37,460
Licenses and permits	1,900,775	-	1,900,775	2,030,912	130,137
Charges for services	337,405	-	337,405	339,373	1,968
Intergovernmental	624,479	-	624,479	625,683	1,204
Investment income	18,500	-	18,500	23,398	4,898
Miscellaneous	24,200	-	24,200	99,539	75,339
Transfers in	58,200	-	58,200	8,148	(50,052)
Use of fund balance	<u>331,000</u>	<u>28,925</u>	<u>359,925</u>	<u>359,925</u>	<u>-</u>
Total Revenues and Other Sources	10,348,748	28,925	10,377,673	10,578,627	200,954
Expenditures and Other Uses:					
Current:					
General government	3,438,600	2,925	3,441,525	3,264,140	177,385
Public safety	3,028,712	26,000	3,054,712	2,958,131	96,581
Highways and streets	1,771,567	-	1,771,567	1,697,008	74,559
Sanitation	471,821	-	471,821	469,708	2,113
Health and welfare	56,650	-	56,650	48,253	8,397
Culture and recreation	44,650	-	44,650	39,865	4,785
Conservation	1	-	1	-	1
Debt service:					
Principal	702,000	-	702,000	702,000	-
Interest	166,405	-	166,405	166,405	-
Capital outlay	125,000	-	125,000	125,000	-
Transfers out	<u>543,342</u>	<u>-</u>	<u>543,342</u>	<u>504,061</u>	<u>39,281</u>
Total Expenditures and Other Uses	<u>10,348,748</u>	<u>28,925</u>	<u>10,377,673</u>	<u>9,974,571</u>	<u>403,102</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>604,056</u>	\$ <u>604,056</u>

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

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

	<u>Agency Funds</u>
ASSETS	
Cash and short-term investments	\$ 225,662
Investments	<u>419,914</u>
Total Assets	<u><u>\$ 645,576</u></u>
 LIABILITIES	
Other liabilities	<u>\$ 645,576</u>
Total Liabilities	<u><u>\$ 645,576</u></u>

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

TOWN OF HOLLIS, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

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

Fund Financial Statements

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

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

Government-wide Financial Statements

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

Fund Financial Statements

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

The Town reports the following major governmental fund:

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

The *Agency Fund* is used to account for money held by the Town on behalf of others (e.g., school capital reserve funds and school trust funds).

D. Cash and Short-Term Investments

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

Deposits with financial institutions consist primarily of demand deposits, money markets, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption

“cash and short-term investments”. The interest earnings attributable to each fund type are included under investment income.

E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Investments are carried at fair value.

F. Interfund Receivables and Payables

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

G. Capital Assets

Capital assets, which include land, buildings and improvements, machinery, equipment, and furnishings, infrastructure, and construction in progress, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5 - 40
Machinery, equipment, and furnishings	5 - 20
Infrastructure	50

H. Compensated Absences

It is the Town’s policy to permit employees to accumulate earned and paid time off benefits. All vested time off is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

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

J. Fund Equity

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

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

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

- 1) Nonspendable funds are either unspendable in the current form (i.e., tax deeded property or prepaid items) or can never be spent (i.e., perpetual care).
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision-making authority in the Town (i.e., Town Meeting).
- 4) Assigned funds are used for specific purposes as established by management. These funds, which include encumbrances other than special warrant articles, have been assigned for specific goods and services ordered but not yet paid for.
- 5) Unassigned funds are available to be spent in future periods. The general fund is the only fund which reports a positive unassigned fund balance. Other governmental funds may report a negative amount if expenditures exceed amounts that are restricted, committed, or assigned.

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

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. Fund Balance Policy

The Town's fund balance policy describes the appropriate level of unassigned fund balance reserve to be consistent with the NH Department of Revenue Administration (DRA) and the Government Finance Officer Association (GFOA) guidelines:

1. DRA – Recommends retaining 5% to 10% of the gross general fund operating expenditures, including Town, School, and County appropriations. Unassigned fund balance is reported on the budgetary basis for tax rate setting purposes (see Note 16), which includes all property tax revenues that otherwise would have been deferred under the modified accrual basis. At December 31, 2016, unassigned fund balance on the budgetary basis was 13% Town, School, and County appropriations.
2. GFOA – Recommends retaining 8% to 17% of the gross general fund operating expenditures, including Town, School, and County appropriations. At December 31, 2016, unassigned fund balance was 11% of Town, School, and County appropriations.

L. Use of Estimates

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

2. Stewardship, Compliance and Accountability

A. Budgetary Information

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

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

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

B. Budgetary Basis

The General Fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget.

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 10,280,534	\$ 9,771,082
Other financing sources/uses (GAAP basis)	<u>370,023</u>	<u>289,342</u>
Subtotal (GAAP Basis)	10,650,557	10,060,424
Adjust tax revenue to accrual basis	(68,658)	-
Add 2016 appropriation carryforwards to expenditures	-	173,880
To remove gross up for capital lease	(361,875)	(361,875)
Reverse capital reserve fund activity	(1,322)	102,142
To record use of assigned fund balance	28,925	-
To record use of unassigned fund balance	<u>331,000</u>	<u>-</u>
Budgetary Basis	<u>\$ 10,578,627</u>	<u>\$ 9,974,571</u>

3. Cash and Investments

A. Custodial Credit Risk

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

The Town limits investments to the following:

- Checking accounts
- Short-term obligations of U.S. Government and State of New Hampshire agencies approved for investment purposes by the Board of Selectmen
- Fully insured or collateralized certificates of deposits
- Repurchase agreements fully collateralized by U.S. Treasury Securities
- New Hampshire Public Deposit Investment Pool

Trustees of Trust Funds has the following asset allocation policy:

	General Trust <u>Funds</u>	Charles J. Nichols <u>Fund</u>
Equities	55 - 65%	35 - 45%
Fixed income	35 - 45%	55 - 65%
Cash and cash equivalents	0 - 5%	0 - 5%

Assets of the Trust Funds may only be invested in accordance with the relevant RSA sections. RSA 35:9 specifies that Capital Reserves may only be deposited in banking institutions either domiciled or doing business under the laws of the State of N.H. or of the U.S. Government. Likewise, RSA 31:25 specifies that General Trust Funds may only be deposited in banking institutions as stated above. However, in addition to those investments specified for Capital Reserves, General Trust Funds may also be invested in those stocks, bonds and mutual funds that may be invested in by the N.H. Savings Banks or as specified by the State Banking Commission.

As of December 31, 2016, the Town's cash bank balance was \$16,069,296. Of the balance, \$2,762,227 was exposed to custodial credit risk as uninsured or uncollateralized and \$519,300 was invested in the New Hampshire Public Deposit Investment Pool (NHPDIP) which is exempt from disclosure.

Custodial Credit Risk - Investments. Custodial credit risk for investments is the risk that in the event of a failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of another party.

The Town is a voluntary participant in the NHPDIP. 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.

Investments in the NHPDIP are not investment securities and, as such, are not categorized by risk. 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 value of the pool shares. In accordance with GASB 79, the pool’s portfolio securities are valued at amortized cost.

B. 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.

Per the Trustees of Trust Funds investment policy, all individual fixed income securities shall have a minimum quality rating of “BBB”.

Table below includes the actual rating as of year-end for the Town’s investment in the debt related securities in comparison to the minimum required per the policy, converted to Moody’s grading system:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Rating</u>	<u>Rating as of Year-end</u>		
			<u>Aaa</u>	<u>A - A3</u>	<u>Baa - Baa1</u>
Corporate equities	\$ 844,359				
Mutual funds	453,224				
Debt related securities:					
Corporate bonds	47,744	Baa2	\$ -	\$ 20,863	\$ 26,881
Municipal bonds	<u>21,489</u>	Baa2	<u>21,489</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 1,366,816</u>		<u>\$ 21,489</u>	<u>\$ 20,863</u>	<u>\$ 26,881</u>

C. Concentration of Credit Risk

Per the Trustees of Trust Funds investment policy, investments in fixed income securities shall not exceed 10 percent except obligations of the United States and/or of the State of New Hampshire and its subdivisions.

Additionally, a majority of the equity investments should be in companies exceeding market capitalization of \$15 billion and:

- The exposure to any single company will not exceed 10 percent.
- The size of each investment not to exceed 10 percent.
- The maximum exposure to any single industry or market sector will not exceed 25 percent.
- Allowable investments include stocks, mutual funds and exchange traded funds.

The Town has the following investments with one issuer that represent 5% or more of total investments:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
Loomis Sayles Invst Grade Bd Y	\$ 72,195	5.3%
Vanguard Index TR 500	<u>73,948</u>	5.4%
Total	\$ <u><u>146,143</u></u>	

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The debt securities mature from one to five years.

E. Foreign Currency Risk

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

F. Fair Value

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

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

<u>Description</u>	<u>Fair Value Measurements Using:</u>			
	Quoted prices in active markets for identical assets <u>(Level 1)</u>	Significant observable inputs <u>(Level 2)</u>	Significant unobservable inputs <u>(Level 3)</u>	
Investments by fair value level:				
Debt securities:				
Corporate bonds	\$ 47,744	\$ -	\$ 47,744	\$ -
Municipal bonds	21,489	-	21,489	-
Nongovernmental fixed income	917,176	-	917,176	-
Equity securities:				
Capital goods	79,410	79,410	-	-
Finance	64,899	64,899	-	-
Utilities	63,119	63,119	-	-
Energy	62,388	62,388	-	-
Healthcare	40,307	40,307	-	-
Consumer staples	36,764	36,764	-	-
Consumer cyclical	33,520	33,520	-	-
Total	\$ <u>1,366,816</u>	\$ <u>380,407</u>	\$ <u>986,409</u>	\$ <u>-</u>

4. Taxes Receivable

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

Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. At the time of tax sale, in March of the next year, a lien is recorded on the property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs and accrued interest. The accounts that are liened by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%. The Town annually budgets an amount (overlay for abatements) for property tax abatements and refunds.

Taxes receivable at December 31, 2016 consist of the following:

Property taxes:	
2016 levy	\$ 638,423
Unredeemed taxes:	
2015 levy	119,462
2014 levy	71,081
2013 levy	29,389
2012 levy	12,154
2011 levy	7,222
2010 levy	2,311
Yield tax	<u>2,586</u>
Total	<u>\$ 882,628</u>

The Town collects property taxes for the Hollis School District, the Hollis Brookline Co-op, and the County of Hillsborough, New Hampshire. Payments to the other taxing units are normally made throughout the year. The ultimate responsibility for the collection of taxes rests with the Town.

5. Allowance for Doubtful Accounts

The property tax receivables reported in the accompanying entity-wide financial statements reflect an estimated allowance for doubtful accounts of \$70,000.

6. Intergovernmental Receivables

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

7. Interfund Fund Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the December 31, 2016 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 79,313	\$ 14,430
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Ambulance	-	16,399
Library	-	48,323
Police private details	-	561
Zylonis	400	-
Total	<u>\$ 79,713</u>	<u>\$ 79,713</u>

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental financial statements. The following is an analysis of the interfund transfers made in fiscal year 2016:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 8,148	\$ 289,342
Nonmajor Governmental Funds:		
Special Revenue Fund:		
Ambulance	631	-
Library	294,979	-
Zylonis	1,902	-
Pearl Rideout - Library	-	3,719
Permanent Trust Funds:		
Library	-	1,918
Charles Zylonis - Library	-	1,902
Public Welfare	-	159
Nichols Field Horse Ring	-	73
Ambulance	-	631
Charles J. Nichols	-	1,754
Common Cemetery	-	6,162
Total	<u>\$ 305,660</u>	<u>\$ 305,660</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) to move interest income between funds. Additionally, the \$294,979 transfer from the general fund to the library special revenue fund represents the annual funding of operations of the Library.

8. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 10,397	\$ -	\$ -	\$ 10,397
Machinery, equipment, and furnishings	6,178	557	(182)	6,553
Infrastructure	13,950	-	-	13,950
	<u>30,525</u>	<u>557</u>	<u>(182)</u>	<u>30,900</u>
Total capital assets, being depreciated	30,525	557	(182)	30,900
Less accumulated depreciation for:				
Buildings and improvements	(5,116)	(265)	-	(5,381)
Machinery, equipment, and furnishings	(4,146)	(415)	149	(4,412)
Infrastructure	(7,382)	(275)	-	(7,657)
	<u>(16,644)</u>	<u>(955)</u>	<u>149</u>	<u>(17,450)</u>
Total accumulated depreciation	(16,644)	(955)	149	(17,450)
Total capital assets, being depreciated, net	13,881	(398)	(33)	13,450
Capital assets, not being depreciated:				
Land	22,594	-	-	22,594
	<u>22,594</u>	<u>-</u>	<u>-</u>	<u>22,594</u>
Total capital assets, not being depreciated	22,594	-	-	22,594
Governmental activities capital assets, net	<u>\$ 36,475</u>	<u>\$ (398)</u>	<u>\$ (33)</u>	<u>\$ 36,044</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 80,426
Public safety	425,147
Highways and streets	396,069
Culture and recreation	53,612
	<u>955,254</u>
Total depreciation expense - governmental activities	<u>\$ 955,254</u>

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pension, in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, are more fully discussed in Note 18.

Deferred outflows of resources – other, consist of deferred amount on refunding of \$244,286 as of December 31, 2016.

10. Accounts Payable

Accounts payable represent 2016 expenditures paid after December 31, 2016.

11. Capital Lease Obligations

The Town is the lessee of certain equipment under capital leases expiring in various years through 2021. Future minimum payments under the capital leases consisted of the following as of December 31, 2016:

	<u>Governmental Activities</u>
2017	\$ 261,026
2018	190,268
2019	132,792
2020	77,014
2021	<u>37,519</u>
Total minimum lease payments	698,619
Less: amounts representing interest	<u>(31,995)</u>
Present value of minimum lease payments	<u>\$ 666,624</u>

12. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for acquisition and construction of capital items. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/16</u>
Open Space	01/15/19	3.73%	\$ 345,000
GO Refunding Bond 2014 Series A	08/15/19	1.72%	608,000
GO Refunding Bond 2014 Series B-1	08/15/25	2.41%	3,164,000
GO Refunding Bond 2014 Series B-2	08/15/35	3.36%	<u>1,507,000</u>
Total			<u>\$ 5,624,000</u>

B. Future Debt Service

The annual payments to repay bonds payable outstanding as of December 31, 2016 are as follows:

Governmental Activities	Principal	Interest	Total
2017	\$ 695,000	\$ 148,429	\$ 843,429
2018	683,000	133,044	816,044
2019	670,000	116,798	786,798
2020	356,000	102,173	458,173
2021	352,000	93,195	445,195
2022 - 2026	1,519,000	339,443	1,858,443
2027 - 2031	766,000	177,190	943,190
2032 - 2035	583,000	48,734	631,734
Total	<u>\$ 5,624,000</u>	<u>\$ 1,159,006</u>	<u>\$ 6,783,006</u>

The general fund has been designated as the sole source to repay the governmental-type general obligation long-term debt outstanding as of December 31, 2016.

C. Bond Authorizations/Unissued

At the 2016 Annual Town Meeting, three long-term debt authorizations for land acquisition were approved for amounts not to exceed the following: Article 2 for \$2.25M, Article 3 for \$2.55M, and Article 4 for \$2.55M.

Subsequent to year end, on February 14, 2017, a general obligation bond was issued in relation to Articles 2 and 4, for \$4.675M. Article 3 was rescinded.

D. Changes in General Long-Term Liabilities

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

	Total Balance 1/1/16	Additions	Reductions	Total Balance 12/31/16	Less Current Portion	Equals Long-Term Portion 12/31/16
<u>Governmental Activities</u>						
Bonds payable	\$ 6,326	\$ -	\$ (702)	\$ 5,624	\$ (695)	\$ 4,929
Other:						
Compensated absences	247	23	-	270	(27)	243
Capital leases	542	362	(238)	666	(246)	420
Net OPEB obligation	698	66	-	764	-	764
Net pension liability	6,275	2,275	-	8,550	-	8,550
Totals	<u>\$ 14,088</u>	<u>\$ 2,726</u>	<u>\$ (940)</u>	<u>\$ 15,874</u>	<u>\$ (968)</u>	<u>\$ 14,906</u>

13. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The Town reports two items as deferred inflows of resources: one which is attributable to changes in the net pension liability, and the other which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds. Deferred inflows of resources related to pension will be recognized in pension expense in future years and is more fully described in Note 18. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

14. Restricted Net Position

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

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

15. Fund Balances

The following is a summary of fund balances at December 31, 2016:

	General Fund	Nonmajor Governmental Funds	Total
Nonspendable:			
Prepaid expenses	\$ 229,384	\$ -	\$ 229,384
Nonexpendable permanent funds:			
Charles Nichols	-	228,151	228,151
Common Cemetery	-	200,478	200,478
All remaining	-	185,687	185,687
Total Nonspendable	229,384	614,316	843,700
Restricted:			
Expendable permanent funds:			
Charles Nichols	-	26,138	26,138
Common Cemetery	-	46,267	46,267
All remaining	-	205,652	205,652
Special revenue funds:			
Conservation	-	451,124	451,124
Ambulance	-	220,050	220,050
Library	-	76,044	76,044
Pearl Rideout - Library	-	59,598	59,598
All remaining	-	157,544	157,544
Total Restricted	-	1,242,417	1,242,417

	General Fund	Nonmajor Governmental Funds	Total
Committed:			
Conservation easement	200,000	-	200,000
Athletic field	119,600	-	119,600
Flint Pond restoration	15,056	-	15,056
Compensated absences	58,402	-	58,402
Emergency municipal building and facility maintenance	103,466	-	103,466
Municipal transportation	21,585	-	21,585
Revaluation	30,404	-	30,404
Environmental defense study	50,295	-	50,295
Total Committed	598,808	-	598,808
Assigned:			
Encumbered for:			
Water supply	9,800	-	9,800
Road crack sealing	32,480	-	32,480
Personnel	10,000	-	10,000
South cemetery sign	2,000	-	2,000
Use of fund balance for 2017	359,000	-	359,000
Total Assigned	413,280	-	413,280
Unassigned	3,328,391	-	3,328,391
Total Unassigned	3,328,391	-	3,328,391
Total Fund Balance	\$ 4,569,863	\$ 1,856,733	\$ 6,426,596

16. General Fund Unassigned Fund Balance

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

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

GAAP basis balance	\$ 3,328,391
Deferred inflows	553,099
Tax Rate Setting Balance	\$ 3,881,490

17. Post-Employment Health Care Benefits

Other Post-Employment Benefits

The Town has implemented 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 effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment health care benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of January 1, 2015, the actuarial valuation date, 9 retirees and 55 active employees met the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides medical, prescription drug, and mental health/substance abuse to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Non-union and union retirees contribute 100% of the cost of the health plan.

D. Annual OPEB Costs and Net OPEB Obligation

The Town's 2016 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending December 31, 2016, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of January 1, 2015.

Annual Required Contribution (ARC)	\$ 79,928
Interest on net OPEB obligation	27,893
Adjustment to ARC	<u>(35,049)</u>
Annual OPEB cost	72,772
Contributions made	<u>(6,338)</u>
Increase in net OPEB obligation	66,434
Net OPEB obligation - beginning of year	<u>697,329</u>
Net OPEB obligation - end of year	<u>\$ 763,763</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2016	\$ 72,772	8.7%	\$ 763,763
2015	\$ 69,083	2.7%	\$ 697,329
2014	\$ 97,578	9.5%	\$ 630,128
2013	\$ 92,485	7.6%	\$ 541,844
2012	\$ 87,517	4.4%	\$ 456,370
2011	\$ 137,337	5.7%	\$ 372,721
2010	\$ 129,347	3.0%	\$ 243,168

E. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2015, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 639,133
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 639,133</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.0%</u>
Covered payroll (active plan members)	<u>\$ 2,981,506</u>
UAAL as a percentage of covered payroll	<u>21.4%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required

contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the Town and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation, the entry age method was used. The actuarial value of assets was not determined, as the Town has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 8%, which decreases to a 5% long-term rate for all healthcare benefits after four years. The amortization costs for the initial UAAL is a level percentage of pay over 30 years, on a closed basis.

18. Retirement System

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

A. Plan Description

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

also eligible to participate as a group if the governing body of the political subdivision has elected participation.

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

B. Benefits Provided

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

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

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

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and teachers 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by

Revised Statutes Annotated 100-A:16, and range from 10.77% to 29.16% of covered compensation. The Town's contribution to NHRS for the year ended December 31, 2016 was \$610,064, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

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

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

At December 31, 2016, the Town reported a liability of \$8,550,395 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2016, the Town's proportion was 0.161 percent.

For the year ended December 31, 2016, the Town recognized pension expense of \$402,919. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 23,761	\$ 107,970
Changes in proportion	152,657	-
Net difference between projected and actual earnings on pension plan investments	534,957	-
Changes in assumption	1,052,282	-
Contributions subsequent to the measurement date	<u>310,893</u>	<u>-</u>
Total	<u>\$ 2,074,550</u>	<u>\$ 107,970</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$310,893 will be recognized as a reduction of the net pension liability in the year ended December 31, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2017	\$ 330,508
2018	330,508
2019	532,991
2020	440,411
2021	<u>21,269</u>
Total	<u>\$ 1,655,687</u>

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

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

Mortality rates were based on the RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for woman for mortality improvements.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study.

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

Asset Class	Target Allocation Percentage	Weighted Average Long-Term Expected Real Rate of Return
Large cap equities	22.50 %	4.25%
Small/mid cap equities	7.50	4.50%
Total domestic equities	30.00	
Int'l equities (unhedged)	13.00	4.75%
Emerging int'l equities	7.00	6.25%
Total international equities	20.00	
Core bonds	5.00	0.64%
Short duration	2.00	-0.25%
Global multi-sector fixed income	11.00	1.71%
Unconstrained fixed income	7.00	1.08%
Total fixed income	25.00	
Private equity	5.00	6.25%
Private debt	5.00	4.75%
Opportunistic	5.00	3.68%
Real estate	10.00	3.25%
Total alternative investments	25.00	
Total	100.00 %	

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

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension liability

would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
June 30, 2016	\$ 10,986,674	\$ 8,550,395	\$ 6,529,886

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

19. Commitments and Contingencies

Outstanding Legal Issues - There are certain pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

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

Abatements – there are several cases pending before the NH Board of Tax and Land Appeals and/or the Supreme Court in regard to alleged discrepancies in property assessments. According to the Town's counsel, the probable outcome of these cannot be determined at this time.

20. Implementation of New GASB Standard

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, replacing requirements of Statements No. 45 and 57, effective for the Town beginning with its year ending December 31, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

**TOWN OF HOLLIS, NEW HAMPSHIRE
SCHEDULE OF OPEB FUNDING PROGRESS
REQUIRED SUPPLEMENTARY INFORMATION**

**December 31, 2016
(Unaudited)**

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/15	\$ -	\$ 639,133	\$ 639,133	0.0%	\$ 2,981,506	21.4%
01/01/12	\$ -	\$ 594,446	\$ 594,446	0.0%	\$ 2,897,712	20.5%
01/01/09	\$ -	\$ 527,066	\$ 527,066	0.0%	\$ 2,811,308	18.7%

See Independent Auditors' Report.

TOWN OF HOLLIS, NEW HAMPSHIRE
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)
DECEMBER 31, 2016
(Unaudited)

New Hampshire Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
December 31, 2016	June 30, 2016	0.161%	\$8,550,395	\$ 3,272,842	261.3%	71.53%
December 31, 2015	June 30, 2015	0.158%	\$6,275,289	\$ 3,351,251	187.3%	65.47%

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

See Independent Auditors' Report.

TOWN OF HOLLIS, NEW HAMPSHIRE

SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

**DECEMBER 31, 2016
(Unaudited)**

New Hampshire Retirement System					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2016	\$ 610,064	\$ 610,064	\$ -	\$ 3,272,842	18.6%
December 31, 2015	\$ 620,215	\$ 620,215	\$ -	\$ 3,351,251	18.5%

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

See Independent Auditors' Report.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

Independent Auditors' Report

To the Board of Selectmen
Town of Hollis, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the aggregate remaining fund information of the Town of Hollis, New Hampshire (the Town), 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, and have issued our report thereon dated June 9, 2017.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in

internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Melanson Heath

June 9, 2017