

TOWN OF BELMONT, NEW HAMPSHIRE

Financial Statements

December 31, 2016

and

Independent Auditor's Report

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Belmont, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Belmont, 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 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.

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 business-type activities, each major fund, and the aggregate remaining fund information of the Town of Belmont, New Hampshire, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of funding progress for other post-employment benefits, schedule of changes in the Town's proportionate share of the net pension liability, and schedule of Town contributions on pages i-viii and 36-41 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 Belmont, New Hampshire's basic financial statements. The combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor governmental 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 governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Manchester, New Hampshire
September 13, 2017

**TOWN OF BELMONT, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2016**

Presented herewith, please find the Management Discussion and Analysis Report for the Town of Belmont, New Hampshire for the year ended December 31, 2016. The responsibility for accuracy of the data, the completeness and fairness of this documentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material aspects. This report and its content have been designed to fairly present the Town's financial position, including the results of operations of all the funds of the Town. All the disclosures necessary to enable and to assist the reader in acquiring an accurate understanding of the Town's financial activities have been included.

The Town's management is responsible for establishing accounting and internal control structures designed to ensure that the physical, data, informational, intellectual, and human resource assets of the Town are protected from loss, theft and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the Town of Belmont, New Hampshire using the integrated approach as prescribed by GASB Statement 34.

This discussion and analysis is intended to serve as an introduction to the Town of Belmont, New Hampshire's financial statements. The basic financial statements are comprised of the following three components:

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

Government-Wide Financial Statements

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

The statement of net position presents information on all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the remaining difference reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information showing how the Town's net position changed during the most recent year. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

**TOWN OF BELMONT, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2016**

The government-wide financial statements have separate columns for the following two fund types:

Governmental activities – Represent most of the Town's basic services.

Business-type activities – Account for the Town's water and sewer operations and receive the majority of their revenue from user fees.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain the control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Town maintains three fund types: governmental, proprietary and fiduciary 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 expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town'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, our readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net position and statement of activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances for the General Fund and Permanent Funds, which are considered major funds. Other governmental funds are aggregated and reported as nonmajor governmental funds.

The Town adopts an annual appropriation budget for its governmental funds. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds provide water and sewer services to customers and charge a user fee. They are presented on the accrual basis of accounting.

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

Notes to the Basic Financial Statements

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

**TOWN OF BELMONT, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2016**

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the General Fund, the Town's only major governmental fund with an adopted budget. It also includes the schedule of funding progress for other post-employment benefits, the schedule of changes in the Town's proportionate share of the net pension liability and the schedule of Town contributions.

Other Supplementary Information

Other supplementary information includes combining financial statements for the nonmajor governmental funds.

Government-Wide Financial Analysis

Governmental Activities

Statement of Net position

Net position of the governmental activities as of December 31, 2016 and 2015 is as follows:

	<u>2016</u>	<u>2015</u>
Capital assets, net	\$ 15,009,930	\$ 12,822,305
Other assets	<u>12,135,661</u>	<u>12,678,645</u>
Total Assets	<u>27,145,591</u>	<u>25,500,950</u>
Total Deferred Outflows of Resources	<u>1,907,291</u>	<u>479,903</u>
Long-term liabilities	10,564,225	7,751,364
Other liabilities	<u>5,420,136</u>	<u>5,203,360</u>
Total Liabilities	<u>15,984,361</u>	<u>12,954,724</u>
Total Deferred Inflows of Resources	<u>120,482</u>	<u>286,587</u>
Net Position:		
Net investment in capital assets	13,293,809	11,841,702
Restricted	2,423,611	2,433,379
Unrestricted (deficit)	<u>(2,769,381)</u>	<u>(1,535,539)</u>
Total Net Position	<u>\$ 12,948,039</u>	<u>\$ 12,739,542</u>

The Town's net position for its governmental activities totaled \$12,948,039 as of December 31, 2016, an increase of \$208,497 when compared to the previous year. The deficit unrestricted net position balances at both year ends is due to implementation of GASB Statement 68 in the year ended December 31, 2015. A deficit unrestricted net position balance is expected to continue into subsequent years.

**TOWN OF BELMONT, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2016**

Statement of Activities

Changes in net position of the governmental activities for the years ended December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Revenues		
Program revenues:		
Charges for services	\$ 476,596	\$ 327,838
Operating grants and contributions	231,747	204,960
Capital grants and contributions	750,581	298,518
General revenues:		
Property and other taxes	5,611,465	5,624,471
Licenses and permits	1,511,172	1,416,948
Intergovernmental	377,178	351,201
Interest and investment earnings	154,459	7,396
Miscellaneous	51,974	57,106
Total revenues	<u>9,165,172</u>	<u>8,288,438</u>
 Expenses		
General government	1,676,493	1,523,639
Public safety	4,102,657	3,525,856
Highways and streets	1,873,691	1,379,865
Sanitation	376,419	357,779
Health and welfare	255,898	246,787
Culture and recreation	515,707	324,985
Conservation	20,725	18,457
Economic development	22,690	13,189
Interest and fiscal charges	37,495	26,836
Total expenses	<u>8,881,775</u>	<u>7,417,393</u>
 Excess before contributions to permanent fund principal and transfers	 283,397	 871,045
 Contributions to permanent fund principal Transfers	 100 <u>(75,000)</u>	 3,283 <u> </u>
 Change in net position	 208,497	 874,328
 Net Position, beginning of year	 <u>12,739,542</u>	 <u>11,865,214</u>
Net Position, end of year	<u>\$ 12,948,039</u>	<u>\$ 12,739,542</u>

As shown in the above statement the Town's governmental activities experienced an improvement in financial position of \$208,497 on the full accrual basis of accounting.

**TOWN OF BELMONT, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2016**

Business-type Activities

Statement of Net position

Net position of the business type activities as of December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Capital assets, net	\$ 6,430,314	\$ 6,685,548
Other assets	<u>1,620,708</u>	<u>1,457,265</u>
Total Assets	<u>8,051,022</u>	<u>8,142,813</u>
Total Deferred Outflows of Resources	<u>41,312</u>	<u>10,321</u>
Long-term liabilities	1,896,248	2,091,738
Other liabilities	<u>18,340</u>	<u>16,766</u>
Total Liabilities	<u>1,914,588</u>	<u>2,108,504</u>
Total Deferred Inflows of Resources	<u>2,610</u>	<u>6,164</u>
Net Position:		
Net investment in capital assets	4,733,946	4,750,863
Unrestricted	<u>1,441,190</u>	<u>1,287,603</u>
Total Net Position	<u>\$ 6,175,136</u>	<u>\$ 6,038,466</u>

The largest portion of the Town's net position for its business-type activities reflects its net investment in capital assets, primarily utility plants (Water and Wastewater) in service and equipment, less any related outstanding debt used to acquire those assets. These assets are not available for future spending.

Statement of Activities

Changes in net position of the business-type activities for the years ended December 31, 2016 and 2015 are as follows:

	<u>2016</u>	<u>2015</u>
Revenues		
Program revenues:		
Charges for services	\$ 811,352	\$ 837,849
Capital grants and contributions	21,164	9,924
General revenues:		
Interest and investment earnings	2,067	1,081
Miscellaneous	<u>2,800</u>	<u>9,860</u>
Total revenues	<u>837,383</u>	<u>858,714</u>

**TOWN OF BELMONT, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2016**

Expenses		
Water Department	281,076	310,372
Sewer Department	494,637	536,182
Total expenses	<u>775,713</u>	<u>846,554</u>
Excess before transfers	61,670	12,160
Transfers	<u>75,000</u>	<u>-</u>
Change in net position	136,670	12,160
Net Position, beginning of year	<u>6,038,466</u>	<u>6,026,306</u>
Net Position, end of year	<u>\$ 6,175,136</u>	<u>\$ 6,038,466</u>

The main funding source for the business-type activities is charges for services, which provided for over 100% and 99% of the expenses for fiscal years 2016 and 2015, respectively. Overall net position increased by \$136,670 from the previous year.

Governmental Funds

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

General Fund and Budgetary Highlights

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had a fund balance of \$2,214,977 on the modified accrual basis of accounting, a decrease of (\$966,837). This decrease is primarily due to capital reserve trusts capital outlay expenditures in excess of funds raised for the trusts through taxation in the current year. Additionally, the Town used \$475,000 of beginning fund balance to offset the current year tax rate which led to current year actual expenditures and other financing uses exceeding actual revenues and other financing sources. As a result, the unassigned fund balance at year end of \$373,844 decreased from the prior year balance by (\$390,034).

During the year, the original budget for appropriations decreased by (\$74,297), while the budget for revenues increased by \$136,686. Changes to the original budget are the result of approved appropriations and revenues being carried forward to the 2017 budget, as well as net additions to both revenues and appropriations for unanticipated funds accepted per RSA 31:95-b.

Permanent Funds

Permanent funds 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, a balance of \$2,067,320 was nonspendable for principal and \$330,279 was restricted for income. The total fund balance in the permanent funds decreased (\$14,146) from the prior year, due to current year expenditures for cemetery maintenance and library repair/restoration projects in excess of investment income.

TOWN OF BELMONT, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2016

Nonmajor Governmental Funds

At December 31, 2016, the Nonmajor Governmental Funds had a total fund balance of \$911,014 which represents an increase of \$163,135 from the prior year, primarily resulting from Ambulance Fund charges for services revenue with minimal expenditures in the current year.

Proprietary Funds

The focus of the Town's proprietary funds is on total economic resources, and changes to net position, much as it might be for a private-sector business. The Town's proprietary funds (Water and Sewer Funds) had total unrestricted net position of \$1,441,190 at December 31, 2016, which increased by \$153,587 or 12% from 2015.

Capital Assets

The Town of Belmont considers a capital asset to be an asset whose costs exceed or equal \$15,000 and has a useful life of greater than one year. Assets are depreciated using the straight-line method over the course of their estimated useful life. During the year the Town's net capital assets for governmental and business type activities increased and decreased by a total of \$2,187,625 and (\$255,234), respectively. Significant additions during the current year included fire department equipment, new highway department truck with plow, several road projects and completion of the Lake Winnepesaukee Scenic Trail project. Additional information on capital assets can be found in Note 3 of the Notes to the Basic Financial Statements.

Long-Term Liabilities

During the year ended 2016, the Town had a net increase in general obligation debt payable for governmental activities of \$253,500, due to scheduled payments made on an existing debt obligation in the amount of (\$76,500) and the issuance of a note payable in the amount of \$330,000. General obligation debt for business-type activities decreased during the year by (\$238,317) due to scheduled payments made on existing obligations, including bond premium amortization and principal forgiveness. Capital leases payable for governmental activities increased during the year by \$482,018, due to current year proceeds of \$578,706, less scheduled payments of (\$96,688). The compensated absences for governmental activities had a net increase in activity of \$10,911 for the year.

Under GASB Statement #68 – *Accounting and Financial Reporting for Pensions*, the Town reports a net pension liability, as well as the related deferred outflows and inflows of resources related to pension. The Town's portion of the unfunded liability as of December 31, 2016 is \$7,869,162 for governmental activities and \$170,440 for business-type activities, for a total liability of \$8,039,602.

GASB Statement 45 requires the Town to account for other post-employment benefits (OPEB) on an accrual basis rather than a pay-as-you-go basis. Although the Town is not required to fund this contribution, it is recognized as a liability in these financial statements. The net OPEB obligation as of December 31, 2016 is \$749,748 for governmental activities and \$29,440 for business-type activities, for a total liability of \$779,188.

**TOWN OF BELMONT, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2016**

Contacting the Town of Belmont's Financial Management

This financial report is intended to provide our citizens and creditors with a general overview of the Town's finances and to show a measure of accountability for the money it receives. If you have any questions about this report or need to get additional information, contact the Board of Selectmen at, PO Box 310, Belmont, NH 03220, telephone number (603) 267-8300.

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 5,736,775	\$ 821,861	\$ 6,558,636
Investments	4,003,309	525,612	4,528,921
Taxes receivable, net	1,564,258		1,564,258
Accounts receivable, net	59,437	182,656	242,093
Unbilled charges for services		65,634	65,634
Due from other governments	707,071	3,200	710,271
Prepaid expenses	15,356		15,356
Internal balances	49,455	(49,455)	-
Total Current Assets	<u>12,135,661</u>	<u>1,549,508</u>	<u>13,685,169</u>
Noncurrent Assets:			
Due from other governments		71,200	71,200
Capital assets:			
Non-depreciable capital assets	4,371,381	15,009	4,386,390
Depreciable capital assets, net	10,638,549	6,415,305	17,053,854
Total Noncurrent Assets	<u>15,009,930</u>	<u>6,501,514</u>	<u>21,511,444</u>
Total Assets	<u>27,145,591</u>	<u>8,051,022</u>	<u>35,196,613</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	1,907,291	41,312	1,948,603
Total Deferred Outflows of Resources	<u>1,907,291</u>	<u>41,312</u>	<u>1,948,603</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	138,045	3,918	141,963
Accrued expenses	96,373	14,422	110,795
Retainage payable	485		485
Due to other governments	5,185,233		5,185,233
Current portion of bonds payable	79,209	190,133	269,342
Current portion of note payable	33,000		33,000
Current portion of capital leases payable	141,424		141,424
Current portion of compensated absences payable	15,576		15,576
Total Current Liabilities	<u>5,689,345</u>	<u>208,473</u>	<u>5,897,818</u>
Noncurrent Liabilities:			
Bonds payable	586,619	1,506,235	2,092,854
Note payable	297,000		297,000
Capital leases payable	578,869		578,869
Compensated absences payable	213,618		213,618
Net pension liability	7,869,162	170,440	8,039,602
Other post-employment benefits liability	749,748	29,440	779,188
Total Noncurrent Liabilities	<u>10,295,016</u>	<u>1,706,115</u>	<u>12,001,131</u>
Total Liabilities	<u>15,984,361</u>	<u>1,914,588</u>	<u>17,898,949</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	120,482	2,610	123,092
Total Deferred Inflows of Resources	<u>120,482</u>	<u>2,610</u>	<u>123,092</u>
NET POSITION			
Net investment in capital assets	13,293,809	4,733,946	18,027,755
Restricted	2,423,611		2,423,611
Unrestricted (deficit)	(2,769,381)	1,441,190	(1,328,191)
Total Net Position	<u>\$ 12,948,039</u>	<u>\$ 6,175,136</u>	<u>\$ 19,123,175</u>

See accompanying notes to the basic financial statements

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-type Activities	
Governmental Activities:							
General government	\$ 1,676,493	\$ 26,147			\$ (1,650,346)		\$ (1,650,346)
Public safety	4,102,657	398,225	\$ 11,768	\$ 51,524	(3,641,140)		(3,641,140)
Highways and streets	1,873,691		195,365		(1,678,326)		(1,678,326)
Sanitation	376,419				(376,419)		(376,419)
Health and welfare	255,898				(255,898)		(255,898)
Culture and recreation	515,707	52,224	1,924	699,057	237,498		237,498
Conservation	20,725				(20,725)		(20,725)
Economic development	22,690		22,690		-		-
Interest and fiscal charges	37,495				(37,495)		(37,495)
Total governmental activities	<u>8,881,775</u>	<u>476,596</u>	<u>231,747</u>	<u>750,581</u>	<u>(7,422,851)</u>	<u>\$ -</u>	<u>(7,422,851)</u>
Business-type activities:							
Sewer Department	494,637	544,840		3,261		53,464	53,464
Water Department	281,076	266,512		17,903		3,339	3,339
Total business-type activities	<u>775,713</u>	<u>811,352</u>	<u>-</u>	<u>21,164</u>	<u>-</u>	<u>56,803</u>	<u>56,803</u>
Total primary government	<u>\$ 9,657,488</u>	<u>\$ 1,287,948</u>	<u>\$ 231,747</u>	<u>\$ 771,745</u>	<u>(7,422,851)</u>	<u>56,803</u>	<u>(7,366,048)</u>
General revenues:							
Property and other taxes					5,611,465		5,611,465
Licenses and permits					1,511,172		1,511,172
Grants and contributions:							
Rooms and meals tax distribution					377,169		377,169
State and federal forest land reimbursement					9		9
Interest and investment earnings					154,459	2,067	156,526
Miscellaneous					51,974	2,800	54,774
Contributions to permanent fund principal					100		100
Transfers					(75,000)	75,000	-
Total general revenues, contributions to permanent fund principal and transfers					<u>7,631,348</u>	<u>79,867</u>	<u>7,711,215</u>
Change in net position					208,497	136,670	345,167
Total Net Position at beginning of year					<u>12,739,542</u>	<u>6,038,466</u>	<u>18,778,008</u>
Total Net Position at end of year					<u>\$ 12,948,039</u>	<u>\$ 6,175,136</u>	<u>\$ 19,123,175</u>

See accompanying notes to the basic financial statements

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

	General Fund	Permanent Funds	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 4,915,167		\$ 821,608	\$ 5,736,775
Investments	1,605,620	\$ 2,397,689		4,003,309
Taxes receivable, net	1,564,258			1,564,258
Accounts receivable, net			59,437	59,437
Due from other governments	707,071			707,071
Due from other funds	50,062		30,486	80,548
Prepaid expenses	15,356			15,356
Total Assets	<u>8,857,534</u>	<u>2,397,689</u>	<u>911,531</u>	<u>12,166,754</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 8,857,534</u>	<u>\$ 2,397,689</u>	<u>\$ 911,531</u>	<u>\$ 12,166,754</u>
LIABILITIES				
Accounts payable	\$ 138,045			\$ 138,045
Accrued expenses	83,230			83,230
Retainage payable	485			485
Due to other governments	5,185,233			5,185,233
Due to other funds	30,486	\$ 90	\$ 517	31,093
Total Liabilities	<u>5,437,479</u>	<u>90</u>	<u>517</u>	<u>5,438,086</u>
DEFERRED INFLOWS OF RESOURCES				
Uncollected property taxes	1,205,078			1,205,078
Total Deferred Inflows of Resources	<u>1,205,078</u>	<u>-</u>	<u>-</u>	<u>1,205,078</u>
FUND BALANCES				
Nonspendable	15,356	2,067,320		2,082,676
Restricted	21,694	330,279	4,318	356,291
Committed	1,735,724		906,696	2,642,420
Assigned	68,359			68,359
Unassigned	373,844			373,844
Total Fund Balances	<u>2,214,977</u>	<u>2,397,599</u>	<u>911,014</u>	<u>5,523,590</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,857,534</u>	<u>\$ 2,397,689</u>	<u>\$ 911,531</u>	<u>\$ 12,166,754</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1
TOWN OF BELMONT, 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)	\$ 5,523,590
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	15,009,930
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis	1,205,078
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	1,907,291
Deferred inflows of resources related to net pension liability	(120,482)
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:	
Bonds payable	(665,828)
Note payable	(330,000)
Capital leases payable	(720,293)
Accrued interest on long-term obligations	(13,143)
Compensated absences payable	(229,194)
Net pension liability	(7,869,162)
Other post-employment benefits liability	<u>(749,748)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 12,948,039</u>

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

	General Fund	Permanent Funds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 5,529,670		\$ 10,564	\$ 5,540,234
Licenses and permits	1,511,172			1,511,172
Intergovernmental	1,357,582			1,357,582
Charges for services	206,267		270,329	476,596
Interest and investment income	12,108	\$ 142,274	77	154,459
Miscellaneous	43,898	100		43,998
Total Revenues	<u>8,660,697</u>	<u>142,374</u>	<u>280,970</u>	<u>9,084,041</u>
Expenditures:				
Current operations:				
General government	1,426,852	53,261		1,480,113
Public safety	3,576,958	17	1,653	3,578,628
Highways and streets	1,277,785			1,277,785
Sanitation	376,419			376,419
Health and welfare	251,630			251,630
Culture and recreation	267,144	98,929	15,861	381,934
Conservation	20,725			20,725
Economic development	22,690			22,690
Capital outlay	3,244,819			3,244,819
Debt service:				
Principal retirement	76,500			76,500
Interest and fiscal charges	24,352			24,352
Total Expenditures	<u>10,565,874</u>	<u>152,207</u>	<u>17,514</u>	<u>10,735,595</u>
Excess revenues over (under) expenditures	<u>(1,905,177)</u>	<u>(9,833)</u>	<u>263,456</u>	<u>(1,651,554)</u>
Other financing sources (uses):				
Proceeds from long-term debt issuances	908,706			908,706
Transfers in	110,089		5,955	116,044
Transfers out	(80,455)	(4,313)	(106,276)	(191,044)
Total other financing sources (uses)	<u>938,340</u>	<u>(4,313)</u>	<u>(100,321)</u>	<u>833,706</u>
Net change in fund balances	(966,837)	(14,146)	163,135	(817,848)
Fund balances at beginning of year	<u>3,181,814</u>	<u>2,411,745</u>	<u>747,879</u>	<u>6,341,438</u>
Fund balances at end of year	<u>\$ 2,214,977</u>	<u>\$ 2,397,599</u>	<u>\$ 911,014</u>	<u>\$ 5,523,590</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1
TOWN OF BELMONT, 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) \$ (817,848)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. 2,177,625

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the gain on the disposed capital assets reduced by the actual proceeds received from the sale. 10,000

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 71,231

Repayment of bond and note payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 76,500

Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 96,688

Proceeds from long-term debt issuances are reported as other financing sources in the governmental funds, but long-term debt obligations increase long-term liabilities in the statement of net position. (908,706)

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. (13,143)

Some expenses reported in the statement of activities, such as compensated absences and other post-employment benefits, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (92,637)

Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense reflects the change in 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. (391,213)

Change in Net Position of Governmental Activities (Exhibit B) \$ 208,497

EXHIBIT E
TOWN OF BELMONT, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
December 31, 2016

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 228,963	\$ 592,898	\$ 821,861
Investments	136,329	389,283	525,612
Accounts receivable	63,191	119,465	182,656
Unbilled charges for services	21,047	44,587	65,634
Due from other governments		3,200	3,200
Total Current Assets	<u>449,530</u>	<u>1,149,433</u>	<u>1,598,963</u>
Noncurrent Assets:			
Due from other governments		71,200	71,200
Non-depreciable capital assets		15,009	15,009
Depreciable capital assets, net	2,388,558	4,026,747	6,415,305
Total Noncurrent Assets	<u>2,388,558</u>	<u>4,112,956</u>	<u>6,501,514</u>
Total Assets	<u>2,838,088</u>	<u>5,262,389</u>	<u>8,100,477</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to pension	<u>22,020</u>	<u>19,292</u>	<u>41,312</u>
Total Deferred Outflows of Resources	<u>22,020</u>	<u>19,292</u>	<u>41,312</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	3,716	202	3,918
Accrued expenses	4,578	9,844	14,422
Due to other funds	23,807	25,648	49,455
Current portion of bonds payable	50,393	139,740	190,133
Total Current Liabilities	<u>82,494</u>	<u>175,434</u>	<u>257,928</u>
Noncurrent Liabilities:			
Bonds payable	367,818	1,138,417	1,506,235
Net pension liability	90,848	79,592	170,440
Other post-employment benefits liability	7,957	21,483	29,440
Total Noncurrent Liabilities	<u>466,623</u>	<u>1,239,492</u>	<u>1,706,115</u>
Total Liabilities	<u>549,117</u>	<u>1,414,926</u>	<u>1,964,043</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to pension	<u>1,391</u>	<u>1,219</u>	<u>2,610</u>
Total Deferred Inflows of Resources	<u>1,391</u>	<u>1,219</u>	<u>2,610</u>
NET POSITION			
Net investment in capital assets	1,970,347	2,763,599	4,733,946
Unrestricted	339,253	1,101,937	1,441,190
Total Net Position	<u>\$ 2,309,600</u>	<u>\$ 3,865,536</u>	<u>\$ 6,175,136</u>

See accompanying notes to the basic financial statements

EXHIBIT F
TOWN OF BELMONT, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2016

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 266,512	\$ 544,840	\$ 811,352
Miscellaneous	656	2,144	2,800
Total operating revenues	<u>267,168</u>	<u>546,984</u>	<u>814,152</u>
Operating expenses:			
Personnel services	87,547	92,938	180,485
Contractual services	51,735	194,410	246,145
Materials and supplies	11,328	15,137	26,465
Utilities	17,309	9,370	26,679
Depreciation	100,286	154,948	255,234
Total operating expenses	<u>268,205</u>	<u>466,803</u>	<u>735,008</u>
Operating income (loss)	<u>(1,037)</u>	<u>80,181</u>	<u>79,144</u>
Non-operating revenues (expenses):			
Interest revenue	341	1,726	2,067
Interest expense	(12,871)	(27,834)	(40,705)
Net non-operating revenues (expenses)	<u>(12,530)</u>	<u>(26,108)</u>	<u>(38,638)</u>
Income (Loss) before capital contributions and transfers	(13,567)	54,073	40,506
Capital contributions	17,903	3,261	21,164
Transfers in	75,000		75,000
Change in net position	79,336	57,334	136,670
Total Net Position at beginning of year	<u>2,230,264</u>	<u>3,808,202</u>	<u>6,038,466</u>
Total Net Position at end of year	<u>\$ 2,309,600</u>	<u>\$ 3,865,536</u>	<u>\$ 6,175,136</u>

See accompanying notes to the basic financial statements

EXHIBIT G
TOWN OF BELMONT, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2016

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 255,950	\$ 525,338	\$ 781,288
Other operating cash receipts	656	2,144	2,800
Cash paid to suppliers	(75,894)	(215,597)	(291,491)
Cash paid to employees	(87,685)	(92,468)	(180,153)
Net cash provided by operating activities	<u>93,027</u>	<u>219,417</u>	<u>312,444</u>
Cash flows from noncapital financing activities:			
Transfer in from other fund	<u>75,000</u>	-	<u>75,000</u>
Net cash provided for noncapital financing activities	<u>75,000</u>	<u>-</u>	<u>75,000</u>
Cash flows from capital and related financing activities:			
Capital contributions		6,261	6,261
Principal paid on long-term debt	(77,731)	(138,740)	(216,471)
Interest paid on long-term debt	(9,785)	(33,137)	(42,922)
Net cash used for capital and related financing activities	<u>(87,516)</u>	<u>(165,616)</u>	<u>(253,132)</u>
Cash flows from investing activities:			
Purchase of investments	(75,321)	(1,672)	(76,993)
Interest on investments	341	1,726	2,067
Net cash provided (used) by investing activities	<u>(74,980)</u>	<u>54</u>	<u>(74,926)</u>
Net increase in cash and cash equivalents	5,531	53,855	59,386
Cash and cash equivalents at beginning of year	199,625	513,395	713,020
Cash and cash equivalents at end of year	<u>\$ 205,156</u>	<u>\$ 567,250</u>	<u>\$ 772,406</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ (1,037)	\$ 80,181	\$ 79,144
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	100,286	154,948	255,234
Change in deferred outflows related to pension	(16,506)	(14,485)	(30,991)
Change in deferred inflows related to pension	(1,902)	(1,652)	(3,554)
Changes in assets and liabilities:			
Accounts receivable	(10,562)	(19,502)	(30,064)
Accounts payable	290	(442)	(152)
Net pension liability	21,426	18,471	39,897
Other post-employment benefits liability	1,032	1,898	2,930
Net cash provided by operating activities	<u>\$ 93,027</u>	<u>\$ 219,417</u>	<u>\$ 312,444</u>
Noncash Transactions Affecting Financial Position:			
Amortization on bond premium		\$ 3,943	\$ 3,943
Principal forgiveness on debt	\$ 17,903		17,903
	<u>\$ 17,903</u>	<u>\$ 3,943</u>	<u>\$ 21,846</u>

See accompanying notes to the basic financial statements

EXHIBIT H
TOWN OF BELMONT, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2016

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 176,994
Investments	<u>1,083,292</u>
Total Assets	<u>\$ 1,260,286</u>
LIABILITIES	
Deposits	\$ 176,994
Due to other governments	<u>1,083,292</u>
Total Liabilities	<u>\$ 1,260,286</u>

See accompanying notes to the basic financial statements

**TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2016**

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Belmont, 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 Belmont, New Hampshire (the Town) was incorporated in 1727. The Town operates under the Town Meeting/Board of Selectmen form of government and performs local governmental functions authorized by State law.

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

Basis of Presentation

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

1. Government-Wide Financial Statements:

The statement of net position and 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 and business-type 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 and business-type 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 and proprietary fund financial statements is on major funds. Each major fund is presented in

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

a 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 fiscal year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Town employs the use of three categories of funds: governmental, proprietary 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 are the Town's major governmental funds:

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.

The *Permanent Funds* are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the Town's programs.

2. Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The Town has no internal service funds. The following are the Town's major proprietary funds:

The *Water and Sewer Funds* account for all revenues and expenses pertaining to the Town's water and wastewater operations, respectively. The Water and Sewer Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation) of providing goods or services to the residents on a continuing basis are financed or recovered primarily through user charges.

3. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is comprised solely of 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's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Town's agency funds consist of capital reserve and scholarship funds of the Shaker Regional School District, which are held by the Town's Trustees of Trust Funds in accordance with State law. Other agency funds consist of certain developer's performance deposits.

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Measurement Focus

1. Government-Wide Financial Statements:

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

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Like the government-wide statements, the proprietary funds are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

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. Proprietary and fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 10). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied.

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

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

2. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (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 \$475,000 of its unappropriated fund balance to reduce taxes.

Cash and Cash Equivalents

The Town maintains separate cash accounts for its governmental and proprietary funds; however, most cash transactions flow through the General Fund. As a result, cash applicable to a particular fund is reflected as an interfund balance. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of the following:

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Totals</u>
Cash and cash equivalents	\$ 228,963	\$ 592,898	\$ 821,861
Due to other funds	<u>(23,807)</u>	<u>(25,648)</u>	<u>(49,455)</u>
Total cash and cash equivalents	<u>\$ 205,156</u>	<u>\$ 567,250</u>	<u>\$ 772,406</u>

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

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.

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 \$313,000.

Accounts Receivable

Charges for services billed during the current year and prior and uncollected at December 31, 2016 are recorded as receivables net of reserves for estimated uncollectibles of \$21,037 in the Ambulance Fund, a Nonmajor Governmental Fund.

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 governmental fund financial statements. In the government-wide financial statements, capital assets are reported in the applicable governmental or business-type activities column.

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 fair values as of the date received. The Town maintains a capitalization threshold of \$15,000. The Town's infrastructure consists of roads, sidewalks, water purification and distribution system, sewer collection and treatment system, and similar items. Intangible assets of the Town consist of land easements which are reported as non-depreciable capital assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction phase of capital assets of business-type activities is also capitalized.

The Town is not required to retroactively report its general infrastructure. Infrastructure records for the governmental activities have been maintained effective January 1, 2004 and are included in these financial statements.

All reported capital assets except for land, easements with an indefinite life, 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	15 - 30
Infrastructure	40 - 50
Buildings and improvements	10 - 30
Vehicles and equipment	5 - 15
Computer software	5

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Bond Premiums

Bond premiums are amortized as a component of interest expense over the life of the related bond using the effective interest rate method. Bonds payable are reported in the accompanying financial statements gross of any applicable unamortized bond premiums.

Compensated Absences

Full time employees accrue sick leave at a rate of one day (8 hours) per month, cumulative to a maximum of 480 hours. Upon retirement, employees with 10 or more years of service, and who qualify for retirement under the guidelines set forth by the New Hampshire Retirement System, may receive a payout of 50% of their accumulated sick time at current rates of pay, up to a maximum of 225 hours. Full time employees earn vacation leave at 5-25 days per year, dependent upon length of service. Upon retirement, employees shall be compensated for unused vacation leave at current rates of pay, up to a maximum of 80 hours.

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

Accrued Liabilities and Long-Term Obligations

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

Net Pension Liability

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

**TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016**

are not included in the determination of net investment 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

Under GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, 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 that can only be spent for the specific purpose stipulated by external resource providers or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or enabling legislation.
- ***Committed Fund Balance***: Amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision making authority (Town Meeting vote). Commitments may be changed or lifted only by taking the same formal action that imposed the constraint originally. The action must be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in a subsequent period.
- ***Assigned Fund Balance***: Amounts the Town intends to use for a specific purpose. For all governmental funds other than the General Fund, any remaining positive fund balance is to be classified as "Assigned".
- ***Unassigned Fund Balance***: Amounts that are not obligated or specifically designated and is available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit balance of another governmental fund is also classified as "Unassigned".

Spending Prioritizations

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 incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

Minimum Level of Unassigned Fund Balance

The Town will strive to maintain an unassigned fund balance in its General Fund equal to 5-17% of the total appropriations of the community (which includes Town, School, and County). The Board of Selectmen will review this information each year in order to determine the amount, if any, of unassigned fund balance to use to balance the budget and to reduce the property tax rate.

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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 and after non-operating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the water fund and sewer fund, these revenues are charges to customers for sales and services. Operating expenses, which include depreciation on capital assets, are necessary costs incurred to provide the service that is the primary activity of the proprietary fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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—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	\$ 6,558,636
Investments	4,528,921
Statement of Fiduciary Net Position:	
Cash and cash equivalents	176,994
Investments	<u>1,083,292</u>
Total deposits and investments	<u>\$ 12,347,843</u>

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

Cash on hand	\$ 1,075
Deposits with financial institutions	2,133,468
Investments	<u>10,213,300</u>
Total deposits and investments	<u>\$ 12,347,843</u>

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

The Town's investment policy for governmental and business-type funds requires that deposits be made in federally insured banks chartered under the laws of the State of New Hampshire or the federal government with a branch within the State of New Hampshire. The Town limits its investments in accordance with New Hampshire State law (RSA 41:29) to United States Treasury securities maturing in less than one year, short-term obligations of U.S. Government agencies, fully insured or collateralized certificates of deposits in banks incorporated in the State of New Hampshire or national banks located in the State of New Hampshire, repurchase agreements with banks chartered by the State of New Hampshire and fully collateralized, and the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool.

Responsibility for the investments of the Town's Trust Funds is with the Board of Trustees. The Trustees of Trust Funds have employed professional banking assistance in accordance with New Hampshire State law (RSA 31:38a). Investments of the library funds are at the discretion of the Library Trustees.

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 more its fair value becomes sensitive to changes in market interest rates. The Town's investment policy for its governmental and business-type funds regarding interest rate risk indicates that investments shall be limited to those with maturity dates that meet projected cash flow needs or six months, whichever is shorter. The Trustees of Trust Funds do not have a specific policy regarding management of 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>	<u>Fair Value</u>	<u>Remaining Maturity (In Years)</u>		
		<u>0-1 Years</u>	<u>1-5 Years</u>	<u>> 5 Years</u>
US Treasury notes	\$ 390,323		\$ 132,692	\$ 257,631
US Government agency obligations	131,143	\$ 20,050	111,093	
Municipal bonds & notes	193,070	25,504	167,566	
Corporate bonds & notes	528,132	56,171	342,592	129,369
	<u>\$ 1,242,668</u>	<u>\$ 101,725</u>	<u>\$ 753,943</u>	<u>\$ 387,000</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town's investment policy for its governmental and business-type funds regarding credit risk is to have each investment transaction seek to ensure that capital losses are avoided, whether they are from securities defaults or erosion of market value and that investment earnings are maximized based on the current investment options available. The Trustees of Trust Funds do not have a specific policy regarding management of credit risk.

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

The following are the actual ratings as of December 31, 2016, for each investment type:

	Investment Type					Totals
	Municipal bonds & notes	Corporate bonds & notes	Money market funds	Mutual funds	State investment pool	
Ratings as of year end						
AAA					\$ 2,505,974	\$ 2,505,974
AA	\$ 77,754					77,754
AA-		\$ 172,919				172,919
A+	31,639	106,303				137,942
A	62,261	32,263				94,524
A-	21,416	56,178				77,594
BBB+		135,894				135,894
BBB		24,575				24,575
Unrated			\$ 187,871	\$ 255,169		443,040
Total Fair Value	<u>\$ 193,070</u>	<u>\$ 528,132</u>	<u>\$ 187,871</u>	<u>\$ 255,169</u>	<u>\$ 2,505,974</u>	<u>\$ 3,670,216</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned. 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's investment policy for its governmental and business-type funds regarding assurance against custodial credit risk requires that all investment and depository instruments not covered by federal depository insurance be collateralized through third party custodial safekeeping. The Trustees of Trust Funds do not have a specific policy regarding management of custodial credit risk.

Of the Town's deposits with financial institutions at year end, \$1,712,056 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:

Investment Type	Reported Amount
US Treasury notes	\$ 390,323
US Government agency obligations	131,143
Municipal bonds & notes	193,070
Corporate bonds & notes	528,132
Equity securities	1,241,486
Mutual funds	255,169
Money market funds	187,871
Overnight repurchase agreement (Commercial Sweep)	<u>4,780,132</u>
	<u>\$ 7,707,326</u>

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended 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. Financial statements for the NHPDIP can be accessed through the NHPDIP's website at www.NHPDIP.com.

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 and have been measured at amortized cost.

Fair Value Measurement of Investments

In accordance with GASB Statement 72, *Fair Value Measurement and Application*, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by accounting principles generally accepted in the United States. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows (in order of priority):

- *Level 1 Inputs* - Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date.
- *Level 2 Inputs* - Inputs other than quoted prices that are observable for assets or liabilities either directly or indirectly, including inputs in markets that are not considered to be active.
- *Level 3 Inputs* - Significant unobservable inputs.

As of December 31, 2016, the Town's investments measured at fair value, by type, were as follows:

Investment Type	Fair Value Measurements Using:			Totals
	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs	
US Treasury notes		\$ 390,323		\$ 390,323
US Government agency obligations		131,143		131,143
Municipal bonds & notes		193,070		193,070
Corporate bonds & notes		528,132		528,132
Equity securities	\$ 1,241,486			1,241,486
Mutual funds	255,169			255,169
	<u>\$ 1,496,655</u>	<u>\$ 1,242,668</u>	<u>\$ -</u>	<u>\$ 2,739,323</u>

Equity securities and mutual funds classified as Level 1 are valued using unadjusted quoted prices in active markets for those securities. Municipal bonds, corporate bonds, United States Treasury notes and US Government agency obligations classified as Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to bench-mark quoted prices.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

NOTE 3—CAPITAL ASSETS

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

	Balance <u>01/01/16</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/16</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 3,558,893			\$ 3,558,893
Intangible assets	109,975			109,975
Construction in progress	<u>434,872</u>	\$ 512,973	\$ (245,332)	<u>702,513</u>
Total capital assets not being depreciated	<u>4,103,740</u>	<u>512,973</u>	<u>(245,332)</u>	<u>4,371,381</u>
Other capital assets:				
Land improvements	172,123			172,123
Infrastructure	6,730,406	1,735,137		8,465,543
Buildings and improvements	2,780,118			2,780,118
Vehicles and equipment	3,596,906	711,996	(242,369)	4,066,533
Computer software	<u>62,290</u>			<u>62,290</u>
Total other capital assets at historical cost	<u>13,341,843</u>	<u>2,447,133</u>	<u>(242,369)</u>	<u>15,546,607</u>
Less accumulated depreciation for:				
Land improvements	(35,521)	(9,154)		(44,675)
Infrastructure	(540,813)	(156,716)		(697,529)
Buildings and improvements	(1,883,275)	(83,012)		(1,966,287)
Vehicles and equipment	(2,101,379)	(278,267)	242,369	(2,137,277)
Computer software	<u>(62,290)</u>			<u>(62,290)</u>
Total accumulated depreciation	<u>(4,623,278)</u>	<u>(527,149)</u>	<u>242,369</u>	<u>(4,908,058)</u>
Total other capital assets, net	<u>8,718,565</u>	<u>1,919,984</u>	<u>-</u>	<u>10,638,549</u>
Total capital assets, net	<u>\$ 12,822,305</u>	<u>\$ 2,432,957</u>	<u>\$ (245,332)</u>	<u>\$ 15,009,930</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 69,622
Public safety	211,677
Highways and streets	218,774
Culture and recreation	<u>27,076</u>
Total governmental activities depreciation expense	<u>\$ 527,149</u>

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

Vehicles and equipment	\$ 1,146,859
Less: Accumulated depreciation	<u>(88,766)</u>
	<u>\$ 1,058,093</u>

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

The following is a summary of changes in capital assets of the business-type activities:

	Balance 01/01/16	Additions	Reductions	Balance 12/31/2016
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 15,009			\$ 15,009
Total capital assets not being depreciated	<u>15,009</u>	<u>\$ -</u>	<u>\$ -</u>	<u>15,009</u>
Other capital assets:				
Water infrastructure	3,470,657			3,470,657
Sewer infrastructure	7,591,161			7,591,161
Vehicles and equipment	42,227			42,227
Total other capital assets at historical cost	<u>11,104,045</u>	<u>-</u>	<u>-</u>	<u>11,104,045</u>
Less accumulated depreciation for:				
Water infrastructure	(981,813)	(100,286)		(1,082,099)
Sewer infrastructure	(3,409,466)	(154,948)		(3,564,414)
Vehicles and equipment	(42,227)			(42,227)
Total accumulated depreciation	<u>(4,433,506)</u>	<u>(255,234)</u>	<u>-</u>	<u>(4,688,740)</u>
Total other capital assets, net	<u>6,670,539</u>	<u>(255,234)</u>	<u>-</u>	<u>6,415,305</u>
Total capital assets, net	<u>\$ 6,685,548</u>	<u>\$ (255,234)</u>	<u>\$ -</u>	<u>\$ 6,430,314</u>

Depreciation expense was charged to the proprietary funds as follows:

Water Fund	\$ 100,286
Sewer Fund	<u>154,948</u>
Total business-type activities depreciation expense	<u>\$ 255,234</u>

NOTE 4—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 01/01/16	Additions	Reductions	Balance 12/31/16	Due Within One Year
<i>Governmental activities:</i>					
Bonds payable	\$ 742,328		\$ (76,500)	\$ 665,828	\$ 79,209
Note payable	-	\$ 330,000		330,000	33,000
Capital leases payable	238,275	578,706	(96,688)	720,293	141,424
Compensated absences payable	<u>218,283</u>	<u>38,149</u>	<u>(27,238)</u>	<u>229,194</u>	<u>15,576</u>
Total governmental activities	<u>\$ 1,198,886</u>	<u>\$ 946,855</u>	<u>\$ (200,426)</u>	<u>\$ 1,945,315</u>	<u>\$ 269,209</u>
<i>Business-type activities:</i>					
Bonds payable	\$ 1,890,765		\$ (234,374)	\$ 1,656,391	\$ 190,133
Unamortized bond premium	43,920		(3,943)	39,977	-
Total bonds payable	<u>1,934,685</u>	<u>\$ -</u>	<u>(238,317)</u>	<u>1,696,368</u>	<u>190,133</u>
Total business-type activities	<u>\$ 1,934,685</u>	<u>\$ -</u>	<u>\$ (238,317)</u>	<u>\$ 1,696,368</u>	<u>\$ 190,133</u>

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Payments on the general obligation bonds and note, capital lease obligations, and compensated absences of the governmental activities are paid out of the General Fund. Payments on the general obligation bonds of the business-type activities are paid out of the Water and Sewer Funds, as applicable to each fund for related debt. Amortization on the bond premium of the business-type activities is recognized as a component of interest expense in the Sewer Fund on the Statement of Revenues, Expenses and Changes in Net position – Proprietary Funds (Exhibit F).

General Obligation Bonds

Governmental Activities

Bonds payable at December 31, 2016 is comprised of the following individual issue:

<u>Description</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 12/31/16</u>
2010 Pleasant Valley Project Bond	<u>\$ 1,150,000</u>	3.36%	June 2024	<u>\$ 665,828</u>

Debt service requirements to retire the general obligation bond outstanding for governmental activities at December 31, 2016 are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 79,209	\$ 21,642	\$ 100,851
2018	81,943	18,909	100,852
2019	84,770	16,082	100,852
2020	87,655	13,197	100,852
2021	90,719	10,132	100,851
2022-2024	<u>241,532</u>	<u>11,401</u>	<u>252,933</u>
	<u>\$ 665,828</u>	<u>\$ 91,363</u>	<u>\$ 757,191</u>

Business-type Activities

Bonds payable at December 31, 2016 are comprised of the following individual issues:

<u>Description</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 12/31/16</u>
2012 Sewer Refunding Bond	\$ 432,000	3.12%	August 2033	\$ 372,000
2013 Clean Water Bond	1,320,746	1.70%	May 2023	866,180
2013 Drinking Water Bond	147,762	1.70%	November 2022	91,538
2008 Well Water Bond	75,000	3.92%	October 2017	7,500
2009 New Well Water Bond	105,000	4.09%	October 2017	13,121
2015 Water Meter Replacement Bond	<u>336,332</u>	1.64%	April 2025	<u>306,052</u>
	<u>\$ 2,416,840</u>			1,656,391
			Add: <i>Unamortized bond premium</i>	<u>39,977</u>
			Total Bonds Payable	<u>\$ 1,696,368</u>

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Debt service requirements to retire general obligation bonds outstanding for business-type activities at December 31, 2016, net of annual principal forgiveness from the State of New Hampshire (to be forgiven over a period of 10 years from the start of the related State Revolving Loan debt) are as follows:

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 190,133	\$ 30,114	\$ 220,247
2018	169,674	33,835	203,509
2019	171,792	30,460	202,252
2020	172,930	27,206	200,136
2021	175,093	23,593	198,686
2022-2026	452,453	69,005	521,458
2027-2031	128,000	31,483	159,483
2032-2033	<u>59,000</u>	<u>3,943</u>	<u>62,943</u>
	1,519,075	249,639	1,768,714
Add: <i>Principal Forgiveness</i>	<u>137,316</u>	-	<u>137,316</u>
Sub-total Bonds payable	1,656,391	249,639	1,906,030
Add: <i>Unamortized Bond Premium</i>	<u>39,977</u>	-	<u>39,977</u>
Total Bonds payable	<u>\$ 1,696,368</u>	<u>\$ 249,639</u>	<u>\$ 1,946,007</u>

General Obligation Note

Governmental Activities

Note payable at December 31, 2016 is comprised of the following individual issue:

<u>Description</u>	<u>Original Issue</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at 12/31/16</u>
2016 Hadley Road Bridge Note	<u>\$ 330,000</u>	2.90%	June 2026	<u>\$ 330,000</u>

Debt service requirements to retire the general obligation note outstanding for governmental activities at December 31, 2016 are as follows:

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 33,000	\$ 9,570	\$ 42,570
2018	33,000	8,613	41,613
2019	33,000	7,656	40,656
2020	33,000	6,699	39,699
2021	33,000	5,742	38,742
2022-2026	<u>165,000</u>	<u>14,355</u>	<u>179,355</u>
	<u>\$ 330,000</u>	<u>\$ 52,635</u>	<u>\$ 382,635</u>

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Capital Lease Obligations

Governmental Activities

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.

The following are the individual capital lease obligations outstanding for governmental activities at December 31, 2016:

Vehicle, due in annual installments of \$42,168 through April 2019, including interest at 3.18%	\$ 118,865
Vehicle, due in annual installments of \$23,368 through April 2017, including interest at 2.84%	22,722
Vehicle, due in annual installments of \$10,152 through May 2018, including interest at 6.42%	18,502
Vehicle, due in annual installments of \$10,722 through May 2018, including interest at 6.32%	19,568
Vehicle, due in annual installments of \$19,376 through August 2020, including interest at 6.39%	66,544
Vehicle, due in annual installments of \$60,776 through December 2025, including interest at 2.96%	474,092
	<u>\$ 720,293</u>

Debt service requirements to retire capital lease obligations outstanding for governmental activities 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	\$ 141,424	\$ 25,138	\$ 166,562
2018	123,448	19,746	143,194
2019	107,537	14,782	122,319
2020	69,230	10,922	80,152
2021	52,528	8,248	60,776
2022-2025	<u>226,126</u>	<u>16,978</u>	<u>243,104</u>
	<u>\$ 720,293</u>	<u>\$ 95,814</u>	<u>\$ 816,107</u>

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

NOTE 5—DEFINED BENEFIT 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, 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 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:

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Years of Creditable Service as of <u>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 police officers, firefighters, and general employees of the Town.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's pension contributions to the NHRS for the year ending December 31, 2016 were \$535,967.

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 \$8,039,602 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 0.1512 percent, which was a decrease of 0.0006 percentage points from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Town recognized pension expense of \$933,717. At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 22,342	\$ 101,520
Change in assumptions	989,419	

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Net difference between projected and actual earnings on pension plan investments	502,999	
Changes in proportion and differences between Town contributions and proportionate share of contributions	158,737	21,572
Town contributions subsequent to the measurement date	<u>275,106</u>	<u> </u>
Totals	<u>\$ 1,948,603</u>	<u>\$ 123,092</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$1,825,511. The Town reported \$275,106 as deferred outflows of resources related to pension resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized as pension expense in the measurement periods as follows:

Year Ending	
<u>June 30</u>	
2017	\$ 324,256
2018	324,256
2019	496,659
2020	387,008
2021	<u>18,226</u>
	<u>\$ 1,550,405</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:

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.

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

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%, which is a decrease of 0.50% from the discount rate used for the prior measurement period of June 30, 2015. 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 of 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.

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:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of the net pension liability	\$ 10,330,341	\$ 8,039,602	\$ 6,139,797

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

NOTE 6—OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the Town provides medical benefits to its eligible retirees and their spouses. Retirees under the age of 65 have a medical insurance plan with either Blue Choice or Matthew Thornton. Retirees over the age of 65 are covered by the Medicare supplemental plan. The following groups of retirees qualify for this benefit: Group I employees are required to reach age 60 with no minimum service requirement or any age with 20 years of service and age plus service is at least 70; Group II employees are eligible at age 45 with 20 years of service or at age 60 with no minimum service requirement. Retirees and surviving spouses are responsible for paying the full cost of the medical premium. As of January 1, 2015, the most recent actuarial valuation date, approximately 8 retirees and 54 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

Annual OPEB Costs

The Town’s 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 45. The ARC represents a level of funding that, if paid, on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of thirty years. The Town’s annual OPEB cost for the year ending December 31, 2016 including 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 is as follows:

Annual Required Contribution (ARC)	\$ 138,698
Interest on net OPEB obligation	27,781
Adjustment to ARC	<u>(34,561)</u>
Annual OPEB cost	131,918
Contributions made	<u>(47,262)</u>
Increase in net OPEB obligation	84,656
Net OPEB obligation - beginning of year	<u>694,532</u>
Net OPEB obligation - end of year	<u>\$ 779,188</u>

The Town’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2016, 2015, and 2014 are as follows:

Year	Annual	Percentage of	Net OPEB	Covered	OPEB Cost
<u>Ending</u>	<u>OPEB Cost</u>	<u>OPEB Cost</u>	<u>Obligation</u>	<u>Payroll</u>	<u>% of pay</u>
		<u>Contributed</u>			
12/31/2016	\$ 131,918	35.8%	\$ 779,188	\$ 2,694,447	4.9%
12/31/2015	\$ 126,323	31.7%	\$ 694,532	\$ 2,590,814	5.0%
12/31/2014	\$ 129,037	29.6%	\$ 608,196	\$ 2,520,857	5.1%

The Town’s total net OPEB obligation as of December 31, 2016 is recognized as a liability in these financial statements.

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Funded Status and Funding Progress for OPEB

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

Actuarial Accrued Liability (AAL)	\$ 1,050,054
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 1,050,054</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 2,590,814
UAAL as a percentage of covered payroll	40.5%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. The total cost of providing post-employment benefits is projected, taking into account assumptions about current claim cost, turnover, mortality, health care trends, and other actuarial assumptions. 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 to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions for OPEB

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. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

For the January 1, 2015 actuarial valuation, the Entry Age Normal Cost Method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The Town employs the Pay-as-you-go basis to fund the plan. The actuarial assumptions included a 4.0% investment rate of return and an initial annual healthcare cost trend rate of 9.0% which decreases to a 5.0% long-term rate for all healthcare benefits after four years. The amortization costs for the Unfunded Actuarial Accrued Liability (UAAL) is a level percentage of payroll for a period of thirty years on a closed group basis. As of December 31, 2016, the remaining amortization period is 23 years. This has been calculated assuming the amortization payment increases at a rate of 2.5% per year.

NOTE 7—INTERFUND BALANCES AND TRANSFERS

The Town maintains separate cash accounts for its governmental and proprietary funds; however, most cash transactions flow through the General Fund. For accounting and reporting purposes, the portion of cash applicable to a particular fund is reported in the specific fund as an interfund balance. Interfund balances at December 31, 2016 are as follows:

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

		Due from					
		Nonmajor					
		General	Permanent	Governmental	Water	Sewer	Totals
Due to	Fund	Fund	Funds	Funds	Fund	Fund	Totals
	General Fund		\$ 90	\$ 517	\$ 23,807	\$ 25,648	\$ 50,062
	Nonmajor Governmental Funds	\$ 30,486					30,486
		<u>\$ 30,486</u>	<u>\$ 90</u>	<u>\$ 517</u>	<u>\$ 23,807</u>	<u>\$ 25,648</u>	<u>\$ 80,548</u>

During the year, several interfund transactions occurred between funds. The various transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended December 31, 2016 are as follows:

		Transfers from			
		Nonmajor			
		General	Permanent	Governmental	Totals
Transfers to	Fund	Fund	Funds	Funds	Totals
	General Fund		\$ 4,313	\$ 105,776	\$ 110,089
	Nonmajor Governmental Funds	\$ 5,455		500	5,955
	Water Fund	75,000			75,000
		<u>\$ 80,455</u>	<u>\$ 4,313</u>	<u>\$ 106,276</u>	<u>\$ 191,044</u>

NOTE 8—RESTRICTED NET POSITION

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

Permanent Funds - Principal	\$ 2,067,320
Permanent Funds - Income	330,279
Library funds	21,694
Drug Forfeiture funds	4,318
	<u>\$ 2,423,611</u>

NOTE 9—COMPONENTS OF FUND BALANCE

The components of the Town's fund balance for its governmental funds at December 31, 2016 are as follows:

Fund Balances	General Fund	Permanent Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid expenses	\$ 15,356			\$ 15,356
Permanent funds - Principal		\$ 2,067,320		2,067,320
Restricted for:				
Library	21,694			21,694
Permanent funds - Income		330,279		330,279
Drug forfeiture			\$ 4,318	4,318

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Committed for:

Continuing appropriations	210,983		210,983
Capital reserves	1,363,674		1,363,674
Expendable trusts	161,067		161,067
Conservation		132,210	132,210
Ambulance revolving		750,941	750,941
Recreation revolving		23,545	23,545

Assigned for:

Encumbrances	12,532		12,532
Heritage Commission	25,827		25,827
Subsequent year appropriation	30,000		30,000

Unassigned:

Unassigned - General operations	373,844		373,844
	<u>\$ 2,214,977</u>	<u>\$ 2,397,599</u>	<u>\$ 911,014</u>
			<u>\$ 5,523,590</u>

NOTE 10—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$595,718,746 as of April 1, 2016) and are due in two installments on July 5, 2016 and December 5, 2016. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized in governmental funds 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 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 dedeed to the Town.

In accordance with State law, the Town collects taxes for the Shaker Regional School District and Belknap County, both 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 \$10,628,136 and \$840,321 for the Shaker Regional School District and Belknap County, 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 Shaker Regional School District is \$5,185,233 and has been reported in the General Fund 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 a public entity risk pool (Trust) for property and liability insurance and worker’s compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 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 \$200,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$1,000,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

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

NOTE 12—PERFORMANCE DEPOSITS

The Town holds letters of credit and performance bonds from developers until projects have been completed to Town standards. Due to the nature of these deposits, these letters of credit and performance bonds are not included as part of the financial statements. At December 31, 2016, the Town held performance deposits totaling \$1,075,502.

NOTE 13—CONTINGENCIES

Litigation

There may be various claims and suits pending against the Town, which arise in the normal course of the Town's activities. In the opinion of Town management, any potential claims against the Town which are not covered by insurance are immaterial and would not affect the financial position of the Town.

Federal Grants

The Town participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

SCHEDULE 1
TOWN OF BELMONT, 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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 5,681,137	\$ 5,681,137	\$ 5,600,901	\$ (80,236)
Licenses and permits	1,479,775	1,479,775	1,511,172	31,397
Intergovernmental	1,243,444	1,380,130	1,357,582	(22,548)
Charges for services	154,910	154,910	206,267	51,357
Interest income	2,500	2,500	1,883	(617)
Miscellaneous	37,250	37,250	41,974	4,724
Total Revenues	<u>8,599,016</u>	<u>8,735,702</u>	<u>8,719,779</u>	<u>(15,923)</u>
Expenditures:				
Current operations:				
General government	1,466,483	1,466,483	1,408,908	57,575
Public safety	3,646,891	3,646,891	3,504,377	142,514
Highways and streets	1,378,002	1,299,712	1,202,294	97,418
Sanitation	386,347	386,347	376,419	9,928
Health and welfare	257,198	257,198	255,385	1,813
Culture and recreation	230,365	230,365	225,984	4,381
Conservation	20,688	20,688	20,688	-
Economic development	-	22,690	22,690	-
Capital outlay	1,353,115	1,334,418	1,299,528	34,890
Debt service:				
Principal retirement	76,500	76,500	76,500	-
Interest and fiscal charges	24,353	24,353	24,352	1
Total Expenditures	<u>8,839,942</u>	<u>8,765,645</u>	<u>8,417,125</u>	<u>348,520</u>
Excess revenues over (under) expenditures	<u>(240,926)</u>	<u>(29,943)</u>	<u>302,654</u>	<u>332,597</u>
Other financing sources (uses):				
Proceeds from long-term debt issuances	375,000	375,000	330,000	(45,000)
Transfers in	149,007	149,007	108,276	(40,731)
Transfers out	(991,724)	(991,724)	(991,724)	-
Total other financing sources (uses)	<u>(467,717)</u>	<u>(467,717)</u>	<u>(553,448)</u>	<u>(85,731)</u>
Net change in fund balance	(708,643)	(497,660)	(250,794)	246,866
Fund balance at beginning of year				
- Budgetary Basis	<u>2,149,516</u>	<u>2,149,516</u>	<u>2,149,516</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 1,440,873</u>	<u>\$ 1,651,856</u>	<u>\$ 1,898,722</u>	<u>\$ 246,866</u>

See accompanying notes to the required supplementary information

SCHEDULE 2
TOWN OF BELMONT, NEW HAMPSHIRE
Schedule of Funding Progress for Other Post-Employment Benefits
For the Year Ended December 31, 2016

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liability (AAL)</u>	Unfunded AAL <u>(UAAL)</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a Percentage of Covered <u>Payroll</u>
1/1/2009	\$ -	\$ 757,542	\$ 757,542	0.0%	\$ 2,341,206	32.4%
1/1/2012	\$ -	\$ 888,338	\$ 888,338	0.0%	\$ 2,364,781	37.6%
1/1/2015	\$ -	\$ 1,050,054	\$ 1,050,054	0.0%	\$ 2,590,814	40.5%

See accompanying notes to the required supplementary information

SCHEDULE 3

TOWN OF BELMONT, 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)	0.1512%	0.1518%	0.1482%	0.1451%
Town's proportionate share of the net pension liability (asset)	\$ 8,039,602	\$ 6,014,999	\$ 5,561,067	\$ 6,245,778
Town's covered payroll	\$ 3,019,542	\$ 2,971,157	\$ 2,830,606	\$ 2,729,805
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	266.25%	202.45%	196.46%	228.80%
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 4
TOWN OF BELMONT, 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	\$ 535,967	\$ 520,211	\$ 506,074	\$ 419,888
Contributions in relation to the contractually required contribution	<u>(535,967)</u>	<u>(520,211)</u>	<u>(506,074)</u>	<u>(419,888)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 2,996,055	\$ 2,961,255	\$ 2,968,876	\$ 2,765,942
Contributions as a percentage of covered-employee payroll	17.89%	17.57%	17.05%	15.18%

See accompanying notes to the required supplementary information

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2016

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

General Fund

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

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 9,679,492	\$ 10,646,329
Difference in property taxes meeting susceptible to accrual criteria	71,231	
Payroll timing differences - December 31, 2015		50,551
Payroll timing differences - December 31, 2016		(63,461)
Non-budgetary revenues and expenditures	(12,149)	(1,563,181)
Non-budgetary transfers in	(1,813)	
Budgetary transfers out		911,269
Capital lease proceeds	(578,706)	(578,706)
Encumbrances - December 31, 2015		(6,484)
Encumbrances - December 31, 2016		12,532
Per Schedule 1	<u>\$ 9,158,055</u>	<u>\$ 9,408,849</u>

NOTE 2—BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at December 31, 2016 are as follows:

<i>Nonspendable:</i>	
Prepaid expenses	\$ 15,356
<i>Committed for:</i>	
Continuing appropriations	210,983
<i>Assigned for:</i>	
Subsequent year appropriation	30,000
<i>Unassigned:</i>	
Unassigned - General operations	1,642,383
	<u>\$ 1,898,722</u>

TOWN OF BELMONT, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
For the Year Ended December 31, 2016

NOTE 3—SCHEDULE OF FUNDING PROGRESS FOR OTHER POST-EMPLOYMENT BENEFITS

In accordance with GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, the Town is required to disclose the schedule of funding progress for each of the three most recent actuarial valuations. The Town implemented the provisions of GASB Statement #45 during the year ended December 31, 2009. Accordingly, the funding progress has been presented for the three most recent actuarial valuation reports.

NOTE 4—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.

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%, and decreased the salary increases from 5.8% to 5.6%. Additionally, the mortality table was changed 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 BELMONT, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2016

	Conservation Fund	Drug Forfeiture Fund	Ambulance Fund	Recreation Revolving Fund	Total Nonmajor Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 126,755	\$ 4,318	\$ 690,535		\$ 821,608
Accounts receivable, net			59,437		59,437
Due from other funds	5,455		1,486	\$ 23,545	30,486
Total Assets	<u>132,210</u>	<u>4,318</u>	<u>751,458</u>	<u>23,545</u>	<u>911,531</u>
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 132,210</u>	<u>\$ 4,318</u>	<u>\$ 751,458</u>	<u>\$ 23,545</u>	<u>\$ 911,531</u>
LIABILITIES					
Due to other funds			\$ 517		\$ 517
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>517</u>	<u>\$ -</u>	<u>517</u>
DEFERRED INFLOWS OF RESOURCES					
Total Deferred Inflows of Resources	-	-	-	-	-
FUND BALANCES					
Restricted		4,318			4,318
Committed	132,210		750,941	23,545	906,696
Total Fund Balances	<u>132,210</u>	<u>4,318</u>	<u>750,941</u>	<u>23,545</u>	<u>911,014</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 132,210</u>	<u>\$ 4,318</u>	<u>\$ 751,458</u>	<u>\$ 23,545</u>	<u>\$ 911,531</u>

SCHEDULE B

TOWN OF BELMONT, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds - All Nonmajor Funds

For the Year Ended December 31, 2016

	Conservation Fund	Drug Forfeiture Fund	Ambulance Fund	Recreation Revolving Fund	Total Nonmajor Governmental Funds
Revenues:					
Taxes	\$ 10,564				\$ 10,564
Charges for services			\$ 250,287	\$ 20,042	270,329
Interest and investment income	11		66		77
Total Revenues	<u>10,575</u>	<u>\$ -</u>	<u>250,353</u>	<u>20,042</u>	<u>280,970</u>
Expenditures:					
Current operations:					
Public safety			1,653		1,653
Culture and recreation				15,861	15,861
Total Expenditures	<u>-</u>	<u>-</u>	<u>1,653</u>	<u>15,861</u>	<u>17,514</u>
Excess revenues over (under) expenditures	<u>10,575</u>	<u>-</u>	<u>248,700</u>	<u>4,181</u>	<u>263,456</u>
Other financing sources (uses):					
Transfers in	5,955				5,955
Transfers out			(106,276)		(106,276)
Total other financing sources (uses)	<u>5,955</u>	<u>-</u>	<u>(106,276)</u>	<u>-</u>	<u>(100,321)</u>
Net change in fund balances	16,530	-	142,424	4,181	163,135
Fund balances at beginning of year	<u>115,680</u>	<u>4,318</u>	<u>608,517</u>	<u>19,364</u>	<u>747,879</u>
Fund balances at end of year	<u>\$ 132,210</u>	<u>\$ 4,318</u>	<u>\$ 750,941</u>	<u>\$ 23,545</u>	<u>\$ 911,014</u>