

TOWN OF WARNER, NEW HAMPSHIRE

Financial Statements

December 31, 2015

and

Independent Auditor's Report

**TOWN OF WARNER, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2015**

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FINANCIAL STATEMENTS
December 31, 2015**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Warner, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Warner, New Hampshire (the Town), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on Governmental Activities

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

Adverse Opinion

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on Governmental Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town of Warner, New Hampshire, as of December 31, 2015, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Town of Warner, New Hampshire, as of December 31, 2015, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, schedule of changes in the Town’s proportionate share of the net pension liability, and schedule of Town contributions on pages i-vii and 26-30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

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

Vaughan Clarke & Company PC

Manchester, New Hampshire
December 20, 2016

**TOWN OF WARNER, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2015**

The following is a discussion and analysis of the financial activities of the Town of Warner, New Hampshire for the year ending December 31, 2015. Readers are encouraged to consider the information presented here in conjunction with the Town's financial statements.

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

Government-Wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

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

Notes to the Basic Financial Statements

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

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the Town's major governmental fund and includes a reconciliation between the reported activity of the revenues, expenditures and transfers for budgetary purposes (Schedule 1) and the activity as presented in the governmental fund financial statements (Exhibit D). The Town's only major governmental fund for 2015 with an adopted budget is the General Fund.

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

Other Supplementary Information

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

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Statement of Net Position

The table below provides a summary of the Town's net position for the year ended December 31, 2015 compared with 2014. Please note that the 2014 figures have been restated to include the

effects on the Town’s net position for the implementation of GASB Statement No. 68 during the current year.

Net position of the Town of Warner as of December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Current assets	\$ 4,194,369	\$ 4,672,819
Capital assets	<u>7,719,931</u>	<u>7,096,338</u>
Total assets	<u>11,914,300</u>	<u>11,769,157</u>
Deferred outflows of resources	<u>49,419</u>	<u>49,640</u>
Long-term liabilities	1,563,963	1,549,207
Other liabilities	<u>1,449,207</u>	<u>1,829,397</u>
Total liabilities	<u>3,013,170</u>	<u>3,378,604</u>
Deferred inflows of resources	<u>73,364</u>	<u>158,355</u>
Net position:		
Net investment in capital assets	7,453,809	6,807,704
Restricted	365,922	340,116
Unrestricted	<u>1,057,454</u>	<u>1,134,018</u>
Total net position	<u>\$ 8,877,185</u>	<u>\$ 8,281,838</u>

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

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

Statement of Activities

The Town's net position increased by \$595,347 during the current year. Total revenues of \$3,786,775 exceeded expenses of \$3,191,428.

Changes in net position for the years ending December 31, 2015 and 2014 are as follows:

	<u>2015</u>	<u>2014</u>
Revenues		
Program revenues:		
Charges for services	\$ 98,337	\$ 138,932
Operating grants and contributions	136,087	111,650
Capital grants and contributions	244,022	-
General revenues:		
Property and other taxes	2,619,718	2,690,570
Licenses and permits	490,389	457,599
Grants and contributions	140,341	139,229
Interest and investment earnings	13,613	13,956
Miscellaneous	43,868	85,428
Contributions to permanent fund principal	400	800
Total revenues	<u>3,786,775</u>	<u>3,638,164</u>
Expenses		
General government	880,080	832,575
Public safety	841,687	824,729
Highways and streets	973,037	1,186,015
Sanitation	223,201	207,872
Health and welfare	16,305	22,552
Culture and recreation	240,759	243,969
Conservation	6,616	20,530
Interest and fiscal charges	9,743	12,540
Total expenses	<u>3,191,428</u>	<u>3,350,782</u>
Change in net position	595,347	287,382
Net position, beginning of year	8,281,838	9,228,477
Restatement due to GASB #68		(1,265,908)
Restatement - other		31,887
Net position, end of year	<u>\$ 8,877,185</u>	<u>\$ 8,281,838</u>

Property and other taxes brought in \$2,619,718 in revenues. Licenses and permits generated \$490,389 in revenues. Other revenues consisted of charges for services, grants, contributions, interest and investment earnings, and miscellaneous revenues. Total revenues recognized during the year ended December 31, 2015 increased from the previous year by \$148,611 or 4.08%.

The Town's expenses cover a range of services. The largest expenses were for highways and streets (30.49%), general government (27.58%), and public safety (26.37%) which accounted for 84.44% of total expenses. Total expenses recognized during the year ended December 31, 2015 decreased from the previous year by \$159,354 or 4.76%.

FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

Governmental Funds

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

General Fund

The General Fund is the main operating fund of the Town. At the end of the current fiscal year, the General Fund had a total fund balance of \$2,071,826. A detail of the fund balance components at year end are detailed on page 23 of the Notes to the Basic Financial Statements.

The General Fund balance decreased \$8,987 from December 31, 2014. A decrease in fund balance was anticipated as the Town applied \$263,000 of its unassigned fund balance to reduce taxes.

Nonmajor Governmental Funds

The total fund balance of \$359,653 in the nonmajor governmental funds is designated for the purposes of the individually established fund. The largest portion of this total represents the balance in the Chandler Reservation Fund (\$133,110 or 37.01%), Conservation Commission Fund (\$110,694 or 30.78%), and the Permanent Funds (\$98,888 or 27.50%).

The total fund balance in the other governmental funds increased \$15,920 from December 31, 2014.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Actual revenues and other financing sources on the budgetary basis were lower than the budgeted amount by \$588,814 or 14.41%. The construction of the Roundabout on Route 103 near Exit 9 on I-89 was delayed during the year ending December 31, 2015 and was re-appropriated at the 2016 annual Town meeting. The estimated revenue figures included funding for this project in the amount of \$535,245.

The Town under expended its budget by \$823,609 or 18.93%. As previously referenced, the appropriation for the Roundabout project of \$735,000 was not expended during 2015. Demonstrating fiscal restraint, town officials were able to manage the town's business under budget. The key areas of savings resulted within public safety and highways and streets.

CAPITAL ASSET AND LONG-TERM OBLIGATIONS

Capital Assets

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

The Town's investment in capital assets for its governmental activities as of December 31, 2015 amounts to \$12,159,054. Accumulated depreciation amounts to \$4,439,123, leaving a net book value of \$7,719,931. This investment in capital assets includes equipment and real property. See Note 5 in the Notes to the Basic Financial Statements for a summary of all capital assets.

Long-Term Obligations

At December 31, 2015, the Town of Warner had total outstanding general obligation debt of \$266,122. During the year, debt service payments were made in accordance with the scheduled payments.

During the year ended December 31, 2015, the Town adopted and implemented GASB Statement #68 – Accounting and Financial Reporting for Pensions. The Town reports a net pension liability. This unfunded liability as of December 31, 2015 is \$1,216,754.

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

ECONOMIC CONDITIONS

The Town is in stable financial condition with little long-term debt. The Board of Selectmen and Budget Committee have continued to cooperate to keep the town portion of the tax rate as level as possible while not impacting services. This has been done through a combination of responsible budgeting and utilizing surplus money to apply toward the tax rate. The Capital Improvement Plan Committee continues to update the Capital Improvements Plan (CIP) and forward that information to both the Selectmen and Budget Committee so that anticipated capital needs can be included in the budgetary process. The Selectmen's Office continues to investigate grant opportunities to assist the Selectmen in addressing critical infrastructure and other needed facilities improvements. This effort has yielded over \$286,520 in grant funds and State reimbursements for the town in 2015.

The Board of Selectmen received authorization from the voters to purchase the parcel of land that was presented at the 2016 Town Meeting for a new fire station. The Fire Station Building Committee continues to review the future building needs of the Fire Department. This new building will require the Town to consider a long-term bond to finance the construction. With the construction of a solar array for the Warner Village Water District, the Board of Selectmen continues its efforts to develop a solar panel array project for the Town as a means of containing energy costs. The Board of Selectmen has made it a priority to address the matter of the Odd Fellows Building, a designated Brownsfield Site by NH Department of Environmental Services. Hazard Assessments have been completed and the first hazard mitigation project is scheduled to be completed in 2016.

The Board of Selectmen has formed an Economic Development Advisory Committee to explore viable economic development in town in order to strengthen the tax base and create local jobs. The Selectmen have been actively working with the NH State Liquor Commission to facilitate the construction of a State Liquor Store, which will likely be constructed and open in 2017. The reauthorization of funds for the construction of a traffic roundabout at the last Town Meeting has resulted in hiring a contractor to build the long waited Roundabout to improving safe traffic flow in the interval area. Completion of this project is projected for the autumn of 2016.

REQUESTS FOR INFORMATION

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

EXHIBIT A
TOWN OF WARNER, NEW HAMPSHIRE
Statement of Net Position
December 31, 2015

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 2,307,622
Investments	1,220,487
Taxes receivable, net	519,467
Accounts receivable	9,673
Due from other governments	137,120
Total Current Assets	<u>4,194,369</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	1,851,260
Depreciable capital assets, net	5,868,671
Total Noncurrent Assets	<u>7,719,931</u>
Total Assets	<u>11,914,300</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources attributable to net pension liability	49,419
Total Deferred Outflows of Resources	<u>49,419</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	147,247
Accrued expenses	37,104
Retainage payable	5,485
Due to other governments	1,209,058
Current portion of notes payable	23,313
Current portion of estimated liability for landfill closure and postclosure care costs	27,000
Total Current Liabilities	<u>1,449,207</u>
Noncurrent Liabilities:	
Notes payable	242,809
Estimated liability for landfill closure and postclosure care costs	26,958
Compensated absences	77,442
Net pension liability	1,216,754
Total Noncurrent Liabilities	<u>1,563,963</u>
Total Liabilities	<u>3,013,170</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources attributable to net pension liability	71,234
Other unearned revenue	2,130
Total Deferred Inflows of Resources	<u>73,364</u>
NET POSITION	
Net investment in capital assets	7,453,809
Restricted	365,922
Unrestricted	1,057,454
Total Net Position	<u>\$ 8,877,185</u>

See accompanying notes to the basic financial statements

EXHIBIT B
TOWN OF WARNER, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2015

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:					
General government	\$ 880,080	\$ 24,746	\$ 15,600		\$ (839,734)
Public safety	841,687	13,191			(828,496)
Highways and streets	973,037		120,487	\$ 244,022	(608,528)
Sanitation	223,201	40,891			(182,310)
Health and welfare	16,305				(16,305)
Culture and recreation	240,759	19,509			(221,250)
Conservation	6,616				(6,616)
Interest and fiscal charges	9,743				(9,743)
Total governmental activities	<u>\$ 3,191,428</u>	<u>\$ 98,337</u>	<u>\$ 136,087</u>	<u>\$ 244,022</u>	<u>(2,712,982)</u>
General revenues:					
Property and other taxes					2,619,718
Licenses and permits					490,389
Grants and contributions:					
Rooms and meals tax distribution					137,871
State and federal forest land reimbursement					2,470
Interest and investment earnings					13,613
Miscellaneous					43,868
Contributions to permanent fund principal					400
Total general revenues and contributions to permanent fund principal					<u>3,308,329</u>
Change in net position					595,347
Net position - beginning, as restated					<u>8,281,838</u>
Net position - ending					<u>\$ 8,877,185</u>

EXHIBIT C
TOWN OF WARNER, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,174,301	\$ 133,321	\$ 2,307,622
Investments	994,155	226,332	1,220,487
Taxes receivable, net	519,467		519,467
Accounts receivable	1,975		1,975
Due from other governments		137,120	137,120
Due from other funds	117,906		117,906
Total Assets	<u>3,807,804</u>	<u>496,773</u>	<u>4,304,577</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 3,807,804</u>	<u>\$ 496,773</u>	<u>\$ 4,304,577</u>
LIABILITIES			
Accounts payable	\$ 125,820	\$ 21,427	\$ 147,247
Accrued expenses	37,104		37,104
Retainage payable		5,485	5,485
Due to other governments	1,209,058		1,209,058
Due to other funds		110,208	110,208
Total Liabilities	<u>1,371,982</u>	<u>137,120</u>	<u>1,509,102</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned property tax revenue	361,866		361,866
Other unearned revenue	2,130		2,130
Total Deferred Inflows of Resources	<u>363,996</u>	<u>-</u>	<u>363,996</u>
FUND BALANCES			
Nonspendable		81,118	81,118
Restricted	250,073	34,731	284,804
Committed	923,004	110,694	1,033,698
Assigned	222,322	133,110	355,432
Unassigned	676,427		676,427
Total Fund Balances	<u>2,071,826</u>	<u>359,653</u>	<u>2,431,479</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,807,804</u>	<u>\$ 496,773</u>	
<p>Amounts reported for governmental activities in the statement of net position are different because:</p> <p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds</p> <p style="text-align: right;">7,719,931</p> <p>Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis</p> <p style="text-align: right;">361,866</p> <p>Deferred outflows of resources and deferred inflows of resources that do not provide or require the use of current financial resources are not reported within the funds.</p> <p style="text-align: right;">49,419</p> <p style="text-align: right;">(71,234)</p> <p>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:</p> <p style="text-align: right;">(266,122)</p> <p style="text-align: right;">(77,442)</p> <p style="text-align: right;">(53,958)</p> <p style="text-align: right;"><u>(1,216,754)</u></p>			
Net position of governmental activities			<u>\$ 8,877,185</u>

See accompanying notes to the basic financial statements

EXHIBIT D
TOWN OF WARNER, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2015

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 2,703,775	\$ 22,465	\$ 2,726,240
Licenses and permits	490,389		490,389
Intergovernmental	276,428	244,022	520,450
Charges for services	78,828		78,828
Interest and investment income	10,143	3,470	13,613
Miscellaneous	63,377	400	63,777
Total Revenues	<u>3,622,940</u>	<u>270,357</u>	<u>3,893,297</u>
Expenditures:			
Current operations:			
General government	781,265	594	781,859
Public safety	713,705		713,705
Highways and streets	815,566		815,566
Sanitation	235,824		235,824
Health and welfare	16,305		16,305
Culture and recreation	224,431	102	224,533
Conservation		6,616	6,616
Capital outlay	753,118	306,583	1,059,701
Debt service:			
Principal retirement	22,512		22,512
Interest and fiscal charges	9,743		9,743
Total Expenditures	<u>3,572,469</u>	<u>313,895</u>	<u>3,886,364</u>
Excess revenues over (under) expenditures	<u>50,471</u>	<u>(43,538)</u>	<u>6,933</u>
Other financing sources (uses):			
Transfers in	1,548	61,006	62,554
Transfers out	(61,006)	(1,548)	(62,554)
Total other financing sources (uses)	<u>(59,458)</u>	<u>59,458</u>	<u>-</u>
Net change in fund balances	(8,987)	15,920	6,933
Fund balances at beginning of year, as restated	<u>2,080,813</u>	<u>343,733</u>	<u>2,424,546</u>
Fund balances at end of year	<u>\$ 2,071,826</u>	<u>\$ 359,653</u>	<u>\$ 2,431,479</u>

TOWN OF WARNER, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2015

Net Change in Fund Balances--Total Governmental Funds	\$ 6,933
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.	635,193
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 loss on disposed capital assets reduced by the actual proceeds received from the sale of capital assets.	(11,600)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(106,522)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	22,512
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense reflects the changes in the net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which pension contributions exceeded pension expense in the current period.	27,339
Some expenses reported in the statement of activities, such as compensated absences and the estimated liability for landfill closure and postclosure care costs, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	21,492
Change in Net Position of Governmental Activities	<u>\$ 595,347</u>

See accompanying notes to the basic financial statements

EXHIBIT E
TOWN OF WARNER, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2015

	Private- Purpose <u>Trust Funds</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 1,950	\$ 10,052
Investments	<u>317,754</u>	
Total Assets	<u>319,704</u>	<u>\$ 10,052</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	<u>-</u>	
LIABILITIES		
Due to other funds	7,698	
Deposits		<u>\$ 10,052</u>
Total Liabilities	<u>7,698</u>	<u>\$ 10,052</u>
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	<u>-</u>	
NET POSITION		
Held in trust	<u>312,006</u>	
Total Net Position	<u>\$ 312,006</u>	

See accompanying notes to the basic financial statements

EXHIBIT F
TOWN OF WARNER, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2015

	<u>Private- Purpose Trust Funds</u>
ADDITIONS:	
Contributions:	
Interest	\$ 226
Total Contributions	<u>326</u>
Investment earnings:	
Interest	7,631
Realized gain on investments	2,127
Net (decrease) in the fair value of investments	<u>(5,363)</u>
Total Investment Earnings	<u>4,395</u>
Total Additions	<u>4,721</u>
DEDUCTIONS:	
Benefits	14,525
Administrative expenses	<u>1,651</u>
Total Deductions	<u>16,176</u>
Change in Net Position	(11,455)
Net position - beginning of year	<u>323,461</u>
Net position - end of year	<u>\$ 312,006</u>

**TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
December 31, 2015**

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

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

Basis of Presentation

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

1. Government-Wide Financial Statements:

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

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

2. Fund Financial Statements:

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

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

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

Fund Accounting

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

1. Governmental Funds:

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

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

2. Fiduciary Funds:

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

Measurement Focus

1. Government-Wide Financial Statements:

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

2. Fund Financial Statements:

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

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

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

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

Basis of Accounting

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

1. Revenues – Exchange and Non-exchange Transactions:

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

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

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

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

2. Unearned Revenue:

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Grants and entitlements received before the eligibility requirements are met are recorded as unearned revenue. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as unearned revenue.

**TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015**

3. Expenses/Expenditures:

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

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

Budgetary Data

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

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

Investments

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

Capital Assets

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

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

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

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

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

	<u>Description</u>	<u>Years</u>
	Infrastructure	20-50
	Land improvements	15
	Buildings and improvements	20-50
	Vehicles and equipment	4-20

Compensated Absences

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

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

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

Accrued Liabilities and Long-Term Obligations

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

Pensions

During the year ended December 31, 2015, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 68 - *Accounting and Financial Reporting for Pensions*. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

Net Position

Net position represents the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

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

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

Fund Balance Policy

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

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

Spending Prioritizations

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

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

Deficit Fund Balance

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

Minimum Level of Unassigned Fund Balance

As recommended by the New Hampshire Department of Revenue, the Town will strive to maintain an unassigned fund balance in its General Fund equal to 8-17% of the total annual appropriations of the community (which includes the Town, County, School District, and Precinct). The Board of Selectmen have the authority to apply such amounts of the Town's beginning unassigned fund balance in order to balance the budget and to reduce the property tax rate as it deems appropriate. In applying these amounts, the Selectmen's goal is to maintain the remaining unassigned fund balance at 10% of the total annual appropriations of the community as defined above.

Interfund Activity

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

Estimates

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

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Other Post-Employment Benefits

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

NOTE 3—DEPOSITS AND INVESTMENTS

Deposits and investments as of December 31, 2015 are classified in the accompanying financial statements as follows:

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

Statement of Net Position:	
Cash and cash equivalents	\$ 2,307,622
Investments	1,220,487
Statement of Fiduciary Net Position:	
Cash and cash equivalents	12,002
Investments	<u>317,754</u>
	<u>\$ 3,857,865</u>

Deposits and investments at December 31, 2015 consist of the following:

Deposits with financial institutions	\$ 3,462,212
Investments	<u>395,653</u>
	<u>\$ 3,857,865</u>

Interest Rate Risk

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

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

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

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

Investment Type		Remaining Maturity (in Years)		
		0-1 Years	1-5 Years	> 5 Years
U.S. Government agency bonds	\$ 114,183	\$ 10,030	\$ 88,745	\$ 15,408
U.S. Treasury notes	10,112		10,112	
Corporate bonds	97,378		10,928	86,450
Money market mutual funds	11,788	11,788		
	<u>\$ 233,461</u>	<u>\$ 21,818</u>	<u>\$ 109,785</u>	<u>\$ 101,858</u>

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

Credit Risk

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

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

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

	<u>Total</u>	<u>Aaa</u>	<u>AA</u>	<u>A</u>	<u>Not Rated</u>
U.S. Government agency bonds	\$ 114,183	\$ 114,183			
Corporate bonds	97,378		\$ 31,398	\$ 65,980	
Money market mutual funds	11,788				\$ 11,788
Mutual funds	162,192				162,192
	<u>\$ 385,541</u>	<u>\$ 114,183</u>	<u>\$ 31,398</u>	<u>\$ 65,980</u>	<u>\$ 173,980</u>

Custodial Credit Risk

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

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

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

Of the Town’s deposits with financial institutions at year end, \$2,423,688 was collateralized by securities held by the bank in the bank’s name and \$-0- was uninsured and uncollateralized.

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

As of December 31, 2015, Town investments in the following investment types were held by the same counterparty that was used to buy the securities.

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Government agency bonds	\$ 114,183
U.S. Treasury notes	10,112
Corporate bonds	97,378
Money market mutual funds	11,788
Mutual funds	<u>162,192</u>
	<u>\$ 395,653</u>

NOTE 4—TAXES RECEIVABLE

Taxes levied during the current year and prior and uncollected at December 31, 2015 are recorded as receivables net of reserves for estimated uncollectibles of \$75,000.

NOTE 5—CAPITAL ASSETS

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

	<u>Balance 01/01/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/15</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 1,359,735			\$ 1,359,735
Construction in process	127,524	\$ 344,886		472,410
Works of Art	19,115			19,115
Total capital assets not being depreciated	<u>1,506,374</u>	<u>344,886</u>	<u>\$ -</u>	<u>1,851,260</u>
Other capital assets:				
Infrastructure	1,869,453	536,388		2,405,841
Land improvements	96,000			96,000
Buildings and improvements	4,387,157			4,387,157
Vehicles and equipment	3,411,981	89,443	(82,628)	3,418,796
Total other capital assets at historical cost	<u>9,764,591</u>	<u>625,831</u>	<u>(82,628)</u>	<u>10,307,794</u>
Less accumulated depreciation for:				
Infrastructure	(236,700)	(57,365)		(294,065)
Land improvements	(62,400)	(6,400)		(68,800)
Buildings and improvements	(1,655,568)	(83,486)		(1,739,054)
Vehicles and equipment	(2,219,959)	(175,773)	58,528	(2,337,204)
Total accumulated depreciation	<u>(4,174,627)</u>	<u>(323,024)</u>	<u>58,528</u>	<u>(4,439,123)</u>
Total other capital assets, net	<u>5,589,964</u>	<u>302,807</u>	<u>(24,100)</u>	<u>5,868,671</u>
Total capital assets, net	<u>\$ 7,096,338</u>	<u>\$ 647,693</u>	<u>\$ (24,100)</u>	<u>\$ 7,719,931</u>

Depreciation expense was charged to governmental functions as follows:

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

General government	\$ 20,589
Public safety	118,196
Highways and streets	161,945
Sanitation	11,215
Culture and recreation	11,079
Total governmental activities depreciation expense	<u>\$ 323,024</u>

NOTE 6—INTERFUND TRANSFERS

The General Fund has paid for various items that are to be reimbursed from the Nonmajor Governmental Funds and Fiduciary Funds. These reimbursements due to the General Fund are reflected as interfund receivables at year end. Interfund balances at December 31, 2015 are as follows:

	Due from		
	Nonmajor Governmental Funds	Fiduciary Funds	Totals
	Due to General Fund	<u>\$ 110,208</u>	<u>\$ 7,698</u>

During the year, several interfund transactions occurred between funds. The transfer into the General Fund of \$1,548 from the Permanent Funds (a nonmajor governmental fund) was made to distribute the earned income during the year to support the Town's programs. The transfer from the Capital Reserve Funds (reported within the General Fund) to the nonmajor governmental funds provided the Town's matching share of a bridge project. Transfers during the year ended December 31, 2015 are as follows:

	Transfer from		
	General Fund	Nonmajor Governmental Funds	Totals
	Transfer to General Fund		\$ 1,548
Nonmajor Governmental Funds	<u>\$ 61,006</u>		<u>61,006</u>
	<u>\$ 61,006</u>	<u>\$ 1,548</u>	<u>\$ 62,554</u>

NOTE 7—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town's long-term obligations for the year ended December 31, 2015 are as follows:

	Balance 01/01/15	Additions	Reductions	Balance 12/31/15	Due Within One Year
Governmental activities:					
Notes payable	\$ 288,634		\$ (22,512)	\$ 266,122	\$ 23,313
Compensated absences	72,016	\$ 17,333	(11,907)	77,442	
Total governmental activities	<u>\$ 360,650</u>	<u>\$ 17,333</u>	<u>\$ (34,419)</u>	<u>\$ 343,564</u>	<u>\$ 23,313</u>

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

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

Notes Payable

Notes payable at December 31, 2015 are comprised of the following individual issue:

\$376,000 Fire Truck Note payable in monthly installments of \$2,688, including interest at 3.50%, through September 2025	<u>\$ 266,122</u>
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Debt service requirements to retire notes payable outstanding at December 31, 2015 are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2016	\$ 23,313	\$ 8,943	\$ 32,256
2017	24,142	8,113	32,255
2018	25,001	7,255	32,256
2019	25,890	6,366	32,256
2020	26,811	5,445	32,256
2021-2025	<u>140,965</u>	<u>12,247</u>	<u>153,212</u>
	<u>\$ 266,122</u>	<u>\$ 48,369</u>	<u>\$ 314,491</u>

NOTE 8—LANDFILL CLOSURE AND POSTCLOSURE CARE COSTS

During 1998, the sanitary landfill previously operated under an intergovernmental agreement with the Town of Hopkinton was closed. The Town of Warner is responsible for annual payments to the Town of Hopkinton based on twenty percent of the annual bond payment for the landfill closure. Estimated postclosure, inspection, maintenance and monitoring costs are \$6,364 per year through the year 2017. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. An estimated liability of \$53,958 has been recorded in the Statement of Net Position based on the Town's share of the bond payments and the estimated future postclosure care costs at current dollars.

The following is a summary of changes in the estimated liability for closure and postclosure care cost for the year ended December 31, 2015:

Balance - January 1, 2015	\$ 80,876
Expenditures recognized in General Fund	(26,904)
Net change in estimated liability for postclosure care costs	<u>(14)</u>
Balance - December 31, 2015	<u>\$ 53,958</u>

NOTE 9—DEFINED BENEFIT PENSION PLAN

Plan Description

The Town contributes to the New Hampshire Retirement System (NHRS), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67,

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25. The New Hampshire Retirement System is a public employee retirement system that administers a cost-sharing multiple-employer defined benefit pension plan. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature.

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

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

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

Benefits Provided

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

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

Members 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 are required to contribute 11.55% of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's pension contribution rates for the covered payroll of police officers and general employees were 21.35% and 10.44%, respectively through June 30, 2015 and

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

22.54% and 10.86%, respectively thereafter. The Town contributed 100% of the employer cost for public safety and general employees of the Town.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's pension contributions to the NHRS were \$102,822 for the year ending December 31, 2015.

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

At December 31, 2015, the Town reported a liability of \$1,216,754 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, 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, 2014. 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, 2015, the Town's proportion was approximately 0.0307 percent, which was a decrease of 0.0001 percentage points from its proportion measured as of June 30, 2014.

For the year ended December 31, 2015, the Town recognized pension expense of \$75,483. At December 31, 2015, 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		\$ 26,700
Net difference between projected and actual earnings on pension plan investments		32,520
Changes in proportion and differences between Town contributions and share of contributions		12,014
Town contributions subsequent to the measurement date	<u>\$ 49,419</u>	<u> </u>
Totals	<u>\$ 49,419</u>	<u>\$ 71,234</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as a decrease to unrestricted net position in the amount of \$29,815. The Town reported \$49,419 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 year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

Year Ending <u>December 31,</u>	
2016	\$ (26,560)
2017	(26,560)
2018	(26,560)
2019	11,197
2020	<u>(2,751)</u>
	<u>\$ (71,234)</u>

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to 2015 measurements:

Inflation	3.0 percent
Wage inflation	3.75 percent
Salary increases	5.8 percent, average, including inflation
Investment rate of return	7.75 percent, net of pension plan investment expense, including inflation

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

Retirement rates were based on a table of rates that are specific to the type of eligibility condition, last updated in 2011 pursuant to an experience study of the period 2005-2010.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Net of inflation assumption of 3.0%)</u>
Fixed income	25%	(1.0)-0.28%
Domestic equity	30%	3.0%
International equity	20%	4.0-6.0%
Real estate	10%	3.5%
Private equity	5%	5.5%
Private debt	5%	4.5%
Opportunistic	5%	2.75%
Total	<u>100%</u>	

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

Discount Rate

The discount rate used to measure the collective pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that employee 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. 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 active and inactive employees. 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 7.75 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease <u>(6.75%)</u>	Discount rate <u>(7.75%)</u>	1% Increase <u>(8.75%)</u>
Town's proportionate share of the net pension liability	\$ 1,601,699	\$ 1,216,754	\$ 888,587

NOTE 10—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$280,406,495 as of April 1, 2015) and are due in two installments on July 1, 2015 and December 15, 2015. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

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

In accordance with State law, the Town collects taxes for the Kearsarge Regional School District, Merrimack County, and Warner Village Water District, all independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$4,082,072, \$778,692, and \$98,240 for the Kearsarge Regional School District, Merrimack County, and Warner Village Water District, respectively. These taxes are not recognized as revenues in these financial statements. At December 31, 2015, the balance of the property tax appropriation due to the Kearsarge Regional School District is \$1,209,058. The Town bears responsibility for uncollected taxes.

**TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015**

NOTE 11—RESTRICTED NET POSITION

Net position is restricted for specific purposes as follows:

Permanent Funds - Principal	\$ 81,118
Permanent Funds - Income	17,770
Library	250,073
Beautification Fund	3,065
North Road Town Forest	9,020
Rosa Valpey Memorial Fund	4,876
	<u>\$ 365,922</u>

NOTE 12—COMPONENTS OF FUND BALANCE

The components of the Town’s fund balance for its governmental funds at December 31, 2015 are as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Permanent funds - Principal		\$ 81,118	\$ 81,118
Restricted for:			
Permanent funds - Income		17,770	17,770
Library	\$ 250,073		250,073
Beautification fund		3,065	3,065
North Road Town Forest		9,020	9,020
Rosa Valpey Memorial		4,876	4,876
Committed for:			
Conservation		110,694	110,694
Expendable trusts	61,584		61,584
Capital reserves	861,420		861,420
Assigned for:			
Chandler reservation		133,110	133,110
Subsequent year's expenditures	95,755		95,755
Encumbrances	122,538		122,538
Hazardous materials	4,029		4,029
Unassigned:			
Unassigned - General operations	676,427		676,427
	<u>\$ 2,071,826</u>	<u>\$ 359,653</u>	<u>\$ 2,431,479</u>

NOTE 13—RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2015, the Town participated in a public entity risk pool (Trust) for property and liability insurance and worker’s compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2015.

Property and Liability Insurance

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

Worker's Compensation

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

NOTE 14—CONTINGENCIES

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

NOTE 15—RESTATEMENT OF EQUITY

Governmental Funds

During the year ended December 31, 2015, it was determined that the receivable balance in the General Fund was understated as of December 31, 2014. Fund balance of the General Fund has been restated as of January 1, 2015 has been restated as follows:

	General Fund
Fund Balance - January 1, 2015 (as previously reported)	\$ 2,048,926
Amount of restatement due to:	
Understatement of due from other governments	31,887
Fund Balance - January 1, 2015, as restated	<u>\$ 2,080,813</u>

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2015

Governmental Activities

During the year ended December 31, 2015, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 68 - *Accounting and Financial Reporting for Pensions*, as described in Note 1 of these financial statements. In addition, it was determined that the receivable balance in the General Fund was understated as of December 31, 2014. The impact on net position of the Governmental Activities as of January 1, 2015 is as follows:

Net Position - January 1, 2015 (as previously reported)	\$ 9,515,859
Amount of restatement due to:	
Understatement of due from other governments	31,887
Net pension liability	(1,157,193)
Deferred inflows related to pension	(158,355)
Contributions subsequent to measurement date	49,640
Net Position - January 1, 2015, as restated	<u>\$ 8,281,838</u>

NOTE 16—SUBSEQUENT EVENT

Capital Lease Authorization

Per Article #4 at the March 2016 annual meeting, the Town authorized the issuance of a long-term capital lease in the amount of \$299,251 for a new highway grader.

Capital Lease Issuance

During March 2016, the Town entered into a capital lease agreement for \$279,900 which is due in annual installments of \$42,750 including interest at 2.288% through March 2022.

SCHEDULE 1
TOWN OF WARNER, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended December 31, 2015

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 2,411,394	\$ 2,411,394	\$ 2,597,253	\$ 185,859
Licenses and permits	442,300	442,300	490,389	48,089
Intergovernmental	1,063,518	1,079,118	276,428	(802,690)
Charges for services	65,000	65,000	78,828	13,828
Interest income	200	200	745	545
Miscellaneous	44,414	44,414	43,868	(546)
Total Revenues	<u>4,026,826</u>	<u>4,042,426</u>	<u>3,487,511</u>	<u>(554,915)</u>
Expenditures:				
Current:				
General government	775,457	789,557	778,210	11,347
Public safety	748,411	748,411	710,830	37,581
Highways and streets	943,202	943,202	923,341	19,861
Sanitation	232,172	232,172	231,754	418
Health and welfare	24,350	24,350	16,305	8,045
Culture and recreation	177,140	178,640	168,598	10,042
Capital outlay	735,000	735,000		735,000
Debt service:				
Principal retirement	22,300	22,300	22,512	(212)
Interest and fiscal charges	9,700	9,700	9,743	(43)
Total Expenditures	<u>3,667,732</u>	<u>3,683,332</u>	<u>2,861,293</u>	<u>822,039</u>
Excess revenues over expenditures	<u>359,094</u>	<u>359,094</u>	<u>626,218</u>	<u>267,124</u>
Other financing sources (uses):				
Transfers in	45,009	45,009	11,110	(33,899)
Transfers out	<u>(667,103)</u>	<u>(667,103)</u>	<u>(668,673)</u>	<u>(1,570)</u>
Total other financing sources (uses)	<u>(622,094)</u>	<u>(622,094)</u>	<u>(657,563)</u>	<u>(35,469)</u>
Net change in fund balances	(263,000)	(263,000)	(31,345)	231,655
Fund balance at beginning of year				
- Budgetary Basis, as restated	<u>1,165,393</u>	<u>1,165,393</u>	<u>1,165,393</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 902,393</u>	<u>\$ 902,393</u>	<u>\$ 1,134,048</u>	<u>\$ 231,655</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

TOWN OF WARNER, NEW HAMPSHIRE

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

For the Year Ended December 31, 2015

	For the Measurement Period Ended June 30:		
	<u>2015</u>	<u>2014</u>	<u>2013</u>
Town's proportion of the net pension liability (asset)	0.0307%	0.0308%	0.0311%
Town's proportionate share of the net pension liability (asset)	\$ 1,216,754	\$ 1,157,193	\$ 1,339,339
Town's covered-employee payroll	\$ 755,488	\$ 705,113	\$ 704,435
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	161.06%	164.11%	190.13%
Plan fiduciary net position as a percentage of the total pension liability	65.47%	66.32%	59.81%

See accompanying notes to the required supplementary information

SCHEDULE 3

TOWN OF WARNER, NEW HAMPSHIRE

Schedule of Town Contributions

For the Year Ended December 31, 2015

	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 102,822	\$ 101,050	\$ 88,183
Contributions in relation to the contractually required contribution	<u>(102,822)</u>	<u>(101,050)</u>	<u>(88,183)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 738,748	\$ 726,974	\$ 701,080
Contributions as a percentage of covered-employee payroll	13.92%	13.90%	12.58%

See accompanying notes to the required supplementary information

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2015

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

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

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 3,624,488	\$ 3,633,475
Difference in property taxes meeting susceptible to accrual criteria	(106,522)	
Encumbrances, December 31, 2015		122,538
Encumbrances, December 31, 2014		(20,295)
Budgetary transfers	9,562	607,667
Non-budgetary activity	<u>(28,907)</u>	<u>(813,419)</u>
Per Schedule 1	<u>\$ 3,498,621</u>	<u>\$ 3,529,966</u>

NOTE 2—BUDGETARY FUND BALANCE

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

<i>Assigned for:</i>	
Subsequent year's expenditures	\$ 95,755
<i>Unassigned:</i>	
Unassigned - General operations	<u>1,038,293</u>
	<u>\$ 1,134,048</u>

NOTE 3—RESTATEMENT OF BUDGETARY FUND BALANCE

During the year ended December 31, 2015, it was determined that the intergovernmental receivables were understated and the interfund receivable balance from the Capital Reserve Funds was overstated. The budgetary fund balance of the General Fund as of January 1, 2015 has been restated as follows:

TOWN OF WARNER, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
December 31, 2015

Budgetary Fund Balance - January 1, 2015 (as previously reported)	\$ 1,238,249
Amount of restatement due to:	
Understatement of due from other governments	31,887
Overstatement of interfund receivable	<u>(104,743)</u>
Budgetary Fund Balance - January 1, 2015, as restated	<u>\$ 1,165,393</u>

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.

SCHEDULE A
TOWN OF WARNER, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2015

	Special Revenue Funds	Bartlett Loop Capital Projects Fund	Permanent Funds	Total Nonmajor Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 133,321			\$ 133,321
Investments	127,444		\$ 98,888	226,332
Due from other governments		<u>\$ 137,120</u>		<u>137,120</u>
Total Assets	<u>260,765</u>	<u>137,120</u>	<u>98,888</u>	<u>496,773</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u><u>\$ 260,765</u></u>	<u><u>\$ 137,120</u></u>	<u><u>\$ 98,888</u></u>	<u><u>\$ 496,773</u></u>
LIABILITIES				
Accounts payable		\$ 21,427		\$ 21,427
Retainage payable		5,485		5,485
Due to other funds		<u>110,208</u>		<u>110,208</u>
Total Liabilities	<u>\$ -</u>	<u>137,120</u>	<u>\$ -</u>	<u>137,120</u>
DEFERRED INFLOWS OF RESOURCES				
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES				
Nonspendable			81,118	81,118
Restricted	16,961		17,770	34,731
Committed	110,694			110,694
Assigned	<u>133,110</u>			<u>133,110</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u><u>\$ 260,765</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 98,888</u></u>	<u><u>\$ 359,653</u></u>

SCHEDULE A-1
TOWN OF WARNER, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
December 31, 2015

	Beautification Fund	Chandler Reservation Fund	Conservation Commission Fund	North Road Town Forest Fund	Rosa Valpey Memorial Fund	Total Nonmajor Special Revenue Funds
ASSETS						
Cash and cash equivalents	\$ 3,065	\$ 10,542	\$ 110,694	\$ 9,020		\$ 133,321
Investments		122,568			\$ 4,876	127,444
Total Assets	<u>3,065</u>	<u>133,110</u>	<u>110,694</u>	<u>9,020</u>	<u>4,876</u>	<u>260,765</u>
DEFERRED OUTFLOWS OF RESOURCES						
Total Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 3,065</u>	<u>\$ 133,110</u>	<u>\$ 110,694</u>	<u>\$ 9,020</u>	<u>\$ 4,876</u>	<u>\$ 260,765</u>
LIABILITIES						
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES						
Total Deferred Inflows of Resources	-	-	-	-	-	-
FUND BALANCES						
Restricted	3,065			9,020	4,876	16,961
Committed			110,694			110,694
Assigned		133,110				133,110
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,065</u>	<u>\$ 133,110</u>	<u>\$ 110,694</u>	<u>\$ 9,020</u>	<u>\$ 4,876</u>	<u>\$ 260,765</u>

SCHEDULE B
TOWN OF WARNER, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Funds
For the Year Ended December 31, 2015

	Special Revenue <u>Funds</u>	Bartlett Loop Capital Projects <u>Fund</u>	Permanent <u>Funds</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues:				
Taxes	\$ 22,465			\$ 22,465
Intergovernmental		\$ 244,022		244,022
Interest and investment income	816		\$ 2,654	3,470
Miscellaneous			400	400
Total Revenues	<u>23,281</u>	<u>244,022</u>	<u>3,054</u>	<u>270,357</u>
Expenditures:				
Current operations:				
General government			594	594
Culture and recreation	102			102
Conservation	6,616			6,616
Capital outlay	<u>1,555</u>	<u>305,028</u>		<u>306,583</u>
Total Expenditures	<u>8,273</u>	<u>305,028</u>	<u>594</u>	<u>313,895</u>
Excess revenues over (under) expenditures	<u>15,008</u>	<u>(61,006)</u>	<u>2,460</u>	<u>(43,538)</u>
Other financing sources (uses):				
Transfers in		61,006		61,006
Transfers out			(1,548)	(1,548)
Total other financing sources (uses)	<u>-</u>	<u>61,006</u>	<u>(1,548)</u>	<u>59,458</u>
Net change in fund balances	15,008	-	912	15,920
Fund balances at beginning of year	<u>245,757</u>	<u>-</u>	<u>97,976</u>	<u>343,733</u>
Fund balances at end of year	<u>\$ 260,765</u>	<u>\$ -</u>	<u>\$ 98,888</u>	<u>\$ 359,653</u>

SCHEDULE B-1
TOWN OF WARNER, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Special Revenue Funds
For the Year Ended December 31, 2015

	Beautification Fund	Chandler Reservation Fund	Conservation Commission Fund	North Road Town Forest Fund	Rosa Valpey Memorial Fund	Total Nonmajor Special Revenue Funds
Revenues:						
Taxes			\$ 22,465			\$ 22,465
Interest and investment income	\$ 3	\$ 675	120	\$ 5	\$ 13	816
Total Revenues	<u>3</u>	<u>675</u>	<u>22,585</u>	<u>5</u>	<u>13</u>	<u>23,281</u>
Expenditures:						
Current operations:						
Culture and recreation	102					102
Conservation			5,120	1,496		6,616
Capital outlay					1,555	1,555
Total Expenditures	<u>102</u>	<u>-</u>	<u>5,120</u>	<u>1,496</u>	<u>1,555</u>	<u>8,273</u>
Net change in fund balances	(99)	675	17,465	(1,491)	(1,542)	15,008
Fund balances at beginning of year	<u>3,164</u>	<u>132,435</u>	<u>93,229</u>	<u>10,511</u>	<u>6,418</u>	<u>245,757</u>
Fund balances at end of year	<u>\$ 3,065</u>	<u>\$ 133,110</u>	<u>\$ 110,694</u>	<u>\$ 9,020</u>	<u>\$ 4,876</u>	<u>\$ 260,765</u>

SCHEDULE C
TOWN OF WARNER, NEW HAMPSHIRE
Combining Statement of Fiduciary Net Position
Fiduciary Funds - All Private-Purpose Trust Funds
December 31, 2015

	Miscellaneous Trust Funds	Foster and Carrier Funds	Total Private- Purpose Trust Funds
ASSETS			
Cash and cash equivalents		\$ 1,950	\$ 1,950
Investments	\$ 307,734	10,020	317,754
Total Assets	<u>307,734</u>	<u>11,970</u>	<u>319,704</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Due to other funds	<u>7,698</u>		<u>7,698</u>
Total Liabilities	<u>7,698</u>	<u>-</u>	<u>7,698</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Held in trust	<u>300,036</u>	<u>11,970</u>	<u>312,006</u>
Total Net Position	<u>\$ 300,036</u>	<u>\$ 11,970</u>	<u>\$ 312,006</u>

SCHEDULE D
TOWN OF WARNER, NEW HAMPSHIRE
Combining Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2015

	Miscellaneous Trust Funds	Foster and Currier Funds	Total Private- Purpose Trust Funds
ADDITIONS:			
Contributions:			
Private donations	\$ 100		\$ 100
Interest		\$ 226	226
Total Contributions	<u>100</u>	<u>226</u>	<u>326</u>
Investment earnings:			
Interest	7,595	36	7,631
Realized gains on investments	2,127		2,127
Net (decrease) in the fair value of investments	<u>(5,363)</u>		<u>(5,363)</u>
Total Investment Earnings	<u>4,359</u>	<u>36</u>	<u>4,395</u>
Total Additions	<u>4,459</u>	<u>262</u>	<u>4,721</u>
DEDUCTIONS:			
Benefits	13,997	528	14,525
Administrative expenses	<u>1,651</u>		<u>1,651</u>
Total Deductions	<u>15,648</u>	<u>528</u>	<u>16,176</u>
Change in Net Position	(11,189)	(266)	(11,455)
Net position - beginning of year	<u>311,225</u>	<u>12,236</u>	<u>323,461</u>
Net position - end of year	<u>\$ 300,036</u>	<u>\$ 11,970</u>	<u>\$ 312,006</u>

SCHEDULE E
TOWN OF WARNER, NEW HAMPSHIRE
Combining Statement of Fiduciary Net Position
Fiduciary Funds - All Agency Funds
December 31, 2015

	Planning Board Agency <u>Fund</u>	Timber Bond Agency <u>Fund</u>	Total Agency <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 23	\$ 10,029	\$ 10,052
Total assets	<u>\$ 23</u>	<u>\$ 10,029</u>	<u>\$ 10,052</u>
LIABILITIES			
Deposits	\$ 23	\$ 10,029	\$ 10,052
Total liabilities	<u>\$ 23</u>	<u>\$ 10,029</u>	<u>\$ 10,052</u>