

TOWN OF HAMPSTEAD, NEW HAMPSHIRE

Financial Statements

December 31, 2016

and

Independent Auditor's Report

TOWN OF HAMPSTEAD, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2016

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FINANCIAL STATEMENTS
December 31, 2016

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INDEPENDENT AUDITOR'S REPORT

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 2 to the financial statements, management has not recorded a liability for other post-employment benefits in governmental activities and, accordingly, has not recorded an expense

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

Adverse Opinion

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

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Town of Hampstead, New Hampshire, as of December 31, 2016, 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, the schedule of changes in the Town’s proportionate share of the net pension liability, and the schedule of Town contributions, on pages i-vi and 28-30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hampstead, New Hampshire’s basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

Vachon Clulay & Company PC

Manchester, New Hampshire
September 11, 2017

Town of Hampstead Management's Discussion and Analysis

As management of the Town of Hampstead we offer readers this narrative overview and analysis of the financial activities of the Town of Hampstead for the fiscal year ended December 31, 2016. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Town's financial statements.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements

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

The **Net Position** presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position 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 fiscal 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 fiscal periods (such as uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements display information about the Town as a whole and include the financial activities of the primary government with the exception of the fiduciary funds.

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, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on the individual parts of the Town government and report the Town's operations in more detail than the government-wide statements. The Town's funds are divided into 2 categories—governmental and fiduciary. For governmental funds, only those funds that are considered Major Funds are reported in individual columns in the Fund Financial Statements with combining schedules in the Supplementary Section to support the non-major activities. Fiduciary Funds are reported by fiduciary type (private-purpose trusts and agency 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.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented here with similar information presented in the government-wide financial statements.

An annual appropriated budget is adopted for the general fund and certain non-major special revenue funds. Budgetary comparison statements have been provided to demonstrate compliance with the budget.

Fiduciary Funds: These funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. The fiduciary fund category consists of two classifications: private purpose and agency funds. The Town's agency fund accounts for the capital reserve funds of the Hampstead School District. The accounting used for fiduciary funds is much like that used for proprietary funds in that they use the accrual basis of accounting.

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

Other information: In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by the Governmental Accounting Standards Board (GASB). Additional combining statements and schedules are presented immediately following the notes to the financial statements.

B. FINANCIAL HIGHLIGHTS

- The total assets and deferred outflows of resources of the Town exceeded total liabilities and deferred inflows of resources at fiscal year ending December 31, 2016 with a balance of \$3,682,069 (Total net position) which is an increase from the balance of 2015 by \$84,127 or about 2%.
- As of the close of the fiscal year 2016, the Town's governmental funds reported a combined ending fund balance of \$1,439,311 which is an increase of \$305,926 from 2015

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	2016	2015
Current Assets	\$ 12,875,060	\$ 11,251,233
Capital Assets	\$ 4,810,979	\$ 5,005,218
Total Assets	\$ 17,686,039	\$ 16,256,451
Deferred Outflows of Resources	\$ 956,348	\$ 222,378
Current Liabilities	\$ 10,599,357	\$ 9,387,513
Other Liabilities	\$ 4,303,733	\$ 3,340,115
Total Liabilities	\$ 14,903,090	\$ 12,727,628
Deferred Inflows of Resources	\$ 57,228	\$ 153,259
Net investment in Capital Assets	\$ 4,493,794	\$ 4,619,765
Restricted	\$ 591,657	\$ 404,794
Unrestricted	\$ (1,403,382)	\$ (1,426,617)
Total Net Position	\$ 3,682,069	\$ 3,597,942

Net Position

As stated earlier, the Town's net position (the amount assets and deferred outflows of resources exceed liabilities and deferred inflows of resources) from governmental activities totaled \$3,682,069 at the end of 2016, an increase of \$84,127 when compared to the end of the previous year.

GASB 34 required the recording of Town's investment in capital assets (land, building, machinery and equipment, vehicles, etc) at cost, calculating the accumulated depreciation and arriving at net capital assets. The total noncurrent assets at December 31, 2016 amounted to \$4,810,979 which is a net decrease of \$194,239 from December 31, 2015. The recognition of the capital assets, net accumulated depreciation, is required to be reported in the government-wide statements.

Keeping in mind that net position may serve over time as a useful indicator of a government's financial position, it should be noted that the Town's collections in property tax revenue, taxes and licenses, as well as a 95% property tax collection rate for 2016 property tax billing have also had impact on financial operations.

Statement of Activities

The Town's total revenue for fiscal 2016 of \$6,518,493 did exceed the total expenses of \$6,434,366 resulting in a net position increase of \$84,127.

The following is a summary of condensed government-wide financial data of the net position for the current year and the prior year as required under GASB 34 rules.

		2016	2015	Increase (Decrease)	% Change
Revenues:					
<i>Program Revenues:</i>					
Charge for Services		\$ 274,396	\$ 271,402	\$ 2,994	1%
Operating Grants & Contributions		\$ 223,889	\$ 235,080	\$ (11,191)	-5%
<i>General Revenues:</i>					
Property & Other Taxes		\$ 3,267,871	\$ 2,965,587	\$ 302,284	10%
Licenses & Permits		\$ 2,217,655	\$ 2,047,460	\$ 170,195	8%
Intergovernmental		\$ 444,805	\$ 411,401	\$ 33,404	8%
Interest Income		\$ 29,264	\$ 19,401	\$ 9,863	51%
Miscellaneous		\$ 53,632	\$ 199,730	\$ (146,098)	-73%
Contributions to permanent funds		\$ 6,981	\$ 15,119	\$ (8,138)	-54%
Total Revenues		\$ 6,518,493	\$ 6,165,180	\$ 353,313	6%
Expenses:					
General Government		\$ 1,521,757	\$ 1,408,579	\$ 113,178	8%
Public Safety		\$ 2,541,230	\$ 2,266,966	\$ 274,264	12%
Highway & Streets		\$ 852,321	\$ 895,944	\$ (43,623)	-5%
Sanitation		\$ 630,205	\$ 640,134	\$ (9,929)	-2%
Health & Welfare		\$ 132,858	\$ 129,952	\$ 2,906	2%
Culture & Recreation		\$ 749,654	\$ 737,743	\$ 11,911	2%
Conservation		\$ 6,341	\$ 3,351	\$ 2,990	89%
Total Expenses		\$ 6,434,366	\$ 6,082,669	\$ 351,697	6%
Changes in Net Position					
Net Position, Beginning of Year		\$ 3,597,942	\$ 3,515,431	\$ 82,511	2%
Net Position, End of Year		\$ 3,682,069	\$ 3,597,942	\$ 84,127	2%

Property and other taxes amounted to \$3,267,871 in revenues. Licenses and permits amounted to \$2,217,655 in revenues. Other revenues consisted of rooms and meals tax distribution, interest and investment earnings, and miscellaneous revenues.

The Town's \$6,434,366 in expenses covered a range of services. Highway department and sanitation amounted to \$1,482,526. Public safety amounted to \$2,541,230. General government amounted to \$1,521,757. Culture and recreation amounted to \$749,654, Conservation at \$6,341 and Health and Welfare at \$132,858.

D. 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 spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, governmental funds reported a combined ending fund balances of \$1,439,311, an increase of \$305,926 in comparison with the prior year.

The general fund is the chief operating fund of the Town. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. At the end of the current fiscal year, the general fund had no unassigned fund balance.

The goal of the Town of Hampstead is to retain an unreserved fund balance of 5%-10% of total appropriations. For fiscal 2016 total appropriations amounted to \$6,200,397 setting the unassigned fund balance range at \$310,020 to \$620,040. The unassigned budgetary fund balance as of December 31, 2016 is \$1,214,548 (see Fund Equity on MS-535) or 20% of total appropriations.

Other Governmental Funds: Total fund balance in the other governmental funds increased by \$72,431 in fiscal 2016.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The actual budgetary revenues were more overall than the budget for estimated revenues by \$314,490. Property and other taxes were up from the budgeted amount by \$11,228 as was intergovernmental by \$10,965, charges for services by \$22,203, interest income by \$4,036, and licenses and permit fees by \$266,343. The miscellaneous revenue was down by \$285 at year end.

The following departments under spent their budgets: General Government by \$55,281, Public Safety by \$105,093, Highways and Streets by \$99,814, Sanitation by \$12,092, Health and Welfare by \$23,571, Culture and Recreation by \$59,164 and conservation by \$1,583. The total underspent at year end was \$356,444.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: The Town's investment in capital assets for its governmental activities as of December 31, 2016, amounts to \$7,733,370. Accumulated depreciation amounts to \$2,922,391, leaving a net book value of \$4,810,979. This investment in capital assets includes vehicles and equipment, land, buildings and improvements.

Additional information on the Town's capital assets can be found in Note 4 of the Notes to the Basic Financial Statements.

Debt Administration: The Town of Hampstead has lease agreements for trucks for the Highway Department, Buildings and Grounds and a Fire Truck. The Police Department has a lease agreement on two police cruisers and there is also a lease agreement for a chipper for the Highway Department. All of the leases have an escape clause pending appropriation. At the December 31, 2016, the balances for the leases are \$317,185.

Net Pension Liability: For the fiscal year ending December 31, 2015, The Town of Hampstead implemented GASB No. 68 which included a restatement of equity effective January 1, 2015 for the Net Pension Liability.

Fair Value Measurement of Investments: The Town of Hampstead implemented GASB Statement 72, *Fair Value Measurement and Application*, which categorized the fair measurements of its investments within the fair value hierarchy established by accounting principles of generally accepted in the United States. There are three levels and the Town of Hampstead has Mutual Funds in the amount of \$476,893 at Level 1.

ECONOMIC FACTORS

Over the past few years the town has experienced many minor events and challenges. With the sluggish economy continuing to hold the tax rate while providing the services has been the biggest challenge. We have managed to continue with the smooth operation of the town despite the challenges.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all of Hampstead's citizens, taxpayers, customers, investors, 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 Hampstead, Selectmen's Office and 11 Main Street, Hampstead, NH 03841.

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

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 11,026,838
Investments	605,247
Taxes receivable, net	1,212,198
Accounts receivable	24,947
Due from other governments	14
Prepaid expenses	5,816
Total Current Assets	<u>12,875,060</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	560,350
Depreciable capital assets, net	4,250,629
Total Noncurrent Assets	<u>4,810,979</u>
Total Assets	<u>17,686,039</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to net pension liability	<u>956,348</u>
Total Deferred Outflows of Resources	<u>956,348</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	100,993
Accrued expenses	116,562
Due to other governments	10,268,148
Current portion of capital leases payable	113,654
Total Current Liabilities	<u>10,599,357</u>
Noncurrent Liabilities:	
Capital leases payable	203,531
Compensated absences payable	103,144
Net pension liability	3,997,058
Total Noncurrent Liabilities	<u>4,303,733</u>
Total Liabilities	<u>14,903,090</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to net pension liability	<u>57,228</u>
Total Deferred Inflows of Resources	<u>57,228</u>
NET POSITION	
Net investment in capital assets	4,493,794
Restricted	591,657
Unrestricted	(1,403,382)
Total Net Position	<u>\$ 3,682,069</u>

See accompanying notes to the basic financial statements

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

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue</u>
		<u>Charges for</u>	<u>Operating</u>	<u>and Changes</u>
		<u>Services</u>	<u>Grants and</u>	<u>in Net Position</u>
			<u>Contributions</u>	<u>Governmental</u>
				<u>Activities</u>
Governmental Activities:				
General government	\$ 1,521,757	\$ 42,408		\$ (1,479,349)
Public safety	2,541,230	148,082	\$ 23,730	(2,369,418)
Highways and streets	852,321	815	200,159	(651,347)
Sanitation	630,205	28,631		(601,574)
Health and welfare	132,858			(132,858)
Culture and recreation	749,654	54,460		(695,194)
Conservation	6,341			(6,341)
Total governmental activities	<u>\$ 6,434,366</u>	<u>\$ 274,396</u>	<u>\$ 223,889</u>	<u>(5,936,081)</u>
General revenues:				
Property and other taxes				3,267,871
Licenses and permits				2,217,655
Grants and contributions:				
Rooms and meals tax distribution				444,805
Interest and investment earnings				29,264
Miscellaneous				53,632
Contributions to permanent fund principal				<u>6,981</u>
Total general revenues and contributions to permanent fund principal				<u>6,020,208</u>
Change in net position				84,127
Net position at beginning of year				<u>3,597,942</u>
Net position at end of year				<u>\$ 3,682,069</u>

See accompanying notes to the basic financial statements

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 10,448,714	\$ 578,124	\$ 11,026,838
Investments	239,749	365,498	605,247
Taxes receivable, net	1,212,198		1,212,198
Accounts receivable		24,947	24,947
Due from other governments	14		14
Due from other funds	3,274	474	3,748
Prepaid expenses	5,816		5,816
Total Assets	<u>11,909,765</u>	<u>969,043</u>	<u>12,878,808</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 11,909,765</u>	<u>\$ 969,043</u>	<u>\$ 12,878,808</u>
LIABILITIES			
Accounts payable	\$ 100,993		\$ 100,993
Accrued expenses	111,013		111,013
Due to other governments	10,268,148		10,268,148
Due to other funds	250	\$ 3,498	3,748
Total Liabilities	<u>10,480,404</u>	<u>3,498</u>	<u>10,483,902</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned tax revenue	955,595		955,595
Total Deferred Inflows of Resources	<u>955,595</u>	<u>-</u>	<u>955,595</u>
FUND BALANCES			
Nonspendable	5,816	306,083	311,899
Restricted	164,872	120,702	285,574
Committed	27,907	531,368	559,275
Assigned	16,218	7,392	23,610
Unassigned	258,953		258,953
Total Fund Balances	<u>473,766</u>	<u>965,545</u>	<u>1,439,311</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 11,909,765</u>	<u>\$ 969,043</u>	<u>\$ 12,878,808</u>

See accompanying notes to the basic financial statements

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

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 1,439,311
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	4,810,979
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis	955,595
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds:	
Deferred outflows of resources related to net pension liability	956,348
Deferred inflows of resources related to net pension liability	(57,228)
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:	
Capital leases payable	(317,185)
Accrued interest on long-term obligations	(5,549)
Compensated absences payable	(103,144)
Net pension liability	<u>(3,997,058)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 3,682,069</u>

See accompanying notes to the basic financial statements

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 3,145,276		\$ 3,145,276
Licenses and permits	2,116,824	\$ 100,831	2,217,655
Intergovernmental	668,694		668,694
Charges for services	110,477	152,230	262,707
Interest and investment income	14,548	14,716	29,264
Miscellaneous	53,632	18,670	72,302
Total Revenues	<u>6,109,451</u>	<u>286,447</u>	<u>6,395,898</u>
Expenditures:			
Current operations:			
General government	1,452,436	334	1,452,770
Public safety	2,154,659	124,730	2,279,389
Highways and streets	853,270		853,270
Sanitation	628,638	1,567	630,205
Health and welfare	132,858		132,858
Culture and recreation	604,256	80,584	684,840
Conservation	4,908	1,433	6,341
Capital outlay	77,152	1,870	79,022
Total Expenditures	<u>5,908,177</u>	<u>210,518</u>	<u>6,118,695</u>
Excess revenues over expenditures	<u>201,274</u>	<u>75,929</u>	<u>277,203</u>
Other financing sources (uses):			
Proceeds from capital lease	28,723		28,723
Transfers in	3,498		3,498
Transfers out		(3,498)	(3,498)
Total other financing sources (uses)	<u>32,221</u>	<u>(3,498)</u>	<u>28,723</u>
Net change in fund balances	233,495	72,431	305,926
Fund balances at beginning of year	<u>240,271</u>	<u>893,114</u>	<u>1,133,385</u>
Fund balances at end of year	<u>\$ 473,766</u>	<u>\$ 965,545</u>	<u>\$ 1,439,311</u>

See accompanying notes to the basic financial statements

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

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ 305,926
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 depreciation expense exceeded capital outlays in the current period.	(194,239)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	122,595
Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	96,991
Proceeds from capital lease obligations are reported as other financing sources in the governmental funds, but capital lease obligations increase long-term liabilities in the statement of net position.	(28,723)
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.	125
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(20,738)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense reflects the change in net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which pension expense exceeded pension contributions in the current period.	<u>(197,810)</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 84,127</u>

See accompanying notes to the basic financial statements

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

	Private- Purpose <u>Trust Funds</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents		\$ 742,345
Investments	\$ 25,531	<u>-</u>
Total assets	<u>25,531</u>	<u>742,345</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>
LIABILITIES		
Due to other governments		564,220
Due to developers		<u>178,125</u>
Total liabilities	<u>-</u>	<u>\$ 742,345</u>
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	<u>-</u>	
NET POSITION		
Held in trust	<u>25,531</u>	
Total net position	<u>\$ 25,531</u>	

See accompanying notes to the basic financial statements

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

	<u>Private- Purpose Trust Funds</u>
ADDITIONS:	
Investment earnings:	
Interest	\$ 161
Realized gain on investments	898
Net (decrease) in the fair value of investments	<u>(46)</u>
Total Investment Earnings	<u>1,013</u>
Total Additions	<u>1,013</u>
DEDUCTIONS:	
Benefits	<u>161</u>
Total Deductions	<u>161</u>
Change in net position	852
Net position at beginning of year	<u>24,679</u>
Net position at end of year	<u>\$ 25,531</u>

See accompanying notes to the basic financial statements

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS**

December 31, 2016

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Hampstead, 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 Hampstead, New Hampshire (the Town) was incorporated in 1749. The Town operates under the town meeting form of government and performs local governmental functions authorized by State law.

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

Basis of Presentation

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

1. Government-Wide Financial Statements:

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

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

2. Fund Financial Statements:

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

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

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

Fund Accounting

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

1. Governmental Funds:

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

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

2. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The Town maintains two categories of fiduciary funds known as 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 one private purpose trust which accounts for school programs. The Town's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Town's agency fund accounts for the capital reserve funds of the Hampstead School District, which are held by the Town as required by State law. Other agency funds consist of performance deposits held by the Town for developers.

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

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

sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The private purpose trust fund is 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 are 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 service, 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 HAMPSTEAD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
December 31, 2016

3. Expenses/Expenditures:

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

Budgetary Data

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

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2016, the Town applied \$300,000 of its unappropriated fund balance to reduce taxes.

Investments

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

Taxes Receivable

Taxes levied during the current year and prior and uncollected at December 31, 2016 are recorded as receivables net of reserves for estimated uncollectibles of \$75,000.

Capital Assets

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

All capital assets, including infrastructure, are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their estimated fair values as of the date received. The Town maintains a capitalization threshold of \$10,000. The Town's infrastructure consists of traffic lights. 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, bridges, and sidewalks). Infrastructure records have been maintained effective January 1, 2004 and are included in these financial statements.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure

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

were estimated based on the Town's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Description</u>	<u>Years</u>
	Infrastructure	25
	Land improvements	25
	Buildings and improvements	10-39
	Vehicles and equipment	3-15

Compensated Absences

Full-time non-union employees may accumulate personal days, based upon length of service, cumulative to a maximum of 34 days per year. Upon termination or retirement, employees shall receive payment for any unused accumulated personal days up to 60 days. Police employees earn vacation time based upon length of service up to 20 days per year. They may carryover up to 20 days and upon termination, retirement or death, they will be paid for all accumulated vacation time at their current rate of pay. Police employees also earn personal time of 12 days per year which can be accumulated up to a maximum of 75 days. Police employees are eligible to receive 50% of their balance of personal time upon termination or retirement.

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. Other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

Pensions

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

Net Position

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of

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

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

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

Fund Balance Policy

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

- *Nonspendable Fund Balance*: includes amounts that are not in a spendable form (such as inventory or prepaid expenses) or are required to be maintained intact (such as principal of permanent trust or endowment fund).
- *Restricted Fund Balance*: Funds legally restricted for specific purposes such as grant, library, income balance of permanent funds and capital project funds. Restrictions may be changed or lifted only with the consent of the resource provider (grantors) or enabling legislation (Federal or State law).
- *Committed Fund Balance*: Amount that can only be used for specific purpose determined by a formal action of the Town's highest level of decision making authority (annual town meeting: such as expendable trusts (capital reserve), non lapsing appropriations and other Special Revenue Funds not listed under Restricted can change purposing by a vote at town meetings.
- *Assigned Fund Balance*: includes amounts that are not obligated or specifically designated and is available for any purpose. For all government 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 Administration or Finance Director depending on the situation.
- *Unassigned Fund Balance*: includes amounts that are not obligated or specifically designated and is available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit fund balance of another fund is also classified as unassigned.

Spending Prioritizations

In instances when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications may be applied, committed resources are to be applied first, followed by assigned and unassigned.

Minimum Level of Unassigned Fund Balance

The Town strives to maintain an unassigned fund balance in its General Fund equal to 8-15% of the total annual appropriations of the community. Compliance with the provisions of this policy shall be reviewed as a part of the annual budget adoption process.

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

Interfund Activity

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

Estimates

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

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Other Post-Employment Benefits

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

NOTE 3—DEPOSITS AND INVESTMENTS

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

Statement of Net Position:	
Cash and cash equivalents	\$ 11,026,838
Investments	605,247
Statement of Fiduciary Net Position:	
Cash and cash equivalents	742,345
Investments	<u>25,531</u>
Total deposits and investments	<u>\$ 12,399,961</u>

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

Cash on hand	\$ 582
Deposits with financial institutions	11,768,601
Investments	<u>630,778</u>
Total deposits and investments	<u>\$ 12,399,961</u>

The Town's investment policy requires that deposits and investments be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The Town limits its investments to demand deposits, money market accounts, certificates of deposit and repurchase agreements in accordance with New Hampshire State law (RSA 41:29) or the New Hampshire Public

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

Deposit Investment Pool (NHPDIP), an external investment pool, in accordance with New Hampshire State law (RSA 197:23-a). Responsibility for the investments of the Trust Funds is with the Trustees of Trust Funds.

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.

As of December 31, 2016, the Town’s investments in money market funds and mutual funds totaling \$30,716 and \$476,893, respectively, are not rated. At year end, the investment in NHPDIP, an external investment pool, in the amount of \$123,169, had a rating of *Aaa-mf*.

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, all funds must be secured by collateral having a market value of at least equal to 102% of the amount deposited or invested. The collateral shall only consist of securities in which Towns may invest, as provided in New Hampshire State law (RSA 368:57).

Of the Town’s deposits with financial institutions at year end, \$10,848,978 was collateralized by securities held by the bank in the Town’s name.

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

<u>Investment Type</u>	<u>Reported Amount</u>
Mutual funds	\$ 476,893
Money market funds	<u>30,716</u>
	<u>\$ 507,609</u>

Fair Value Measurement of Investments

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

- Level 1 Inputs - Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date.

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

- Level 2 Inputs - Inputs other than quoted prices that are observable for assets or liabilities either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs - Significant unobservable inputs.

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

<u>Investment Type</u>	<u>Fair Value Measurements Using:</u>			<u>Total</u>
	<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>	
Mutual funds	\$ 476,893			\$ 476,893
	<u>\$ 476,893</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 476,893</u>

Mutual funds classified as Level 1 are valued using unadjusted quoted prices in active markets for those securities.

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

Investment in NHPDIP

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

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

NOTE 4—CAPITAL ASSETS

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

	<u>Balance 1/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance 12/31/2016</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 535,162			\$ 535,162
Construction in process		\$ 25,188		25,188
Total capital assets not being depreciated	<u>535,162</u>	<u>25,188</u>	<u>\$ -</u>	<u>560,350</u>

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

	Balance 1/1/2016	Additions	Reductions	Balance 12/31/2016
Other capital assets:				
Infrastructure	183,333			183,333
Land improvements	76,129			76,129
Buildings and improvements	4,037,185	38,587		4,075,772
Vehicles and equipment	2,793,212	44,574		2,837,786
Total other capital assets at historical cost	<u>7,089,859</u>	<u>83,161</u>	<u>-</u>	<u>7,173,020</u>
Less accumulated depreciation for:				
Infrastructure	(76,387)	(7,333)		(83,720)
Land improvements	(8,403)	(3,607)		(12,010)
Buildings and improvements	(1,249,177)	(108,870)		(1,358,047)
Vehicles and equipment	(1,285,836)	(182,778)		(1,468,614)
Total accumulated depreciation	<u>(2,619,803)</u>	<u>(302,588)</u>	<u>-</u>	<u>(2,922,391)</u>
Total other capital assets, net	<u>4,470,056</u>	<u>(219,427)</u>	<u>-</u>	<u>4,250,629</u>
Total capital assets, net	<u>\$ 5,005,218</u>	<u>\$ (194,239)</u>	<u>\$ -</u>	<u>\$ 4,810,979</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 21,786
Public safety	203,873
Highways and streets	26,491
Culture and recreation	50,438
	<u>\$ 302,588</u>

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

Vehicles and equipment	\$ 769,021
Less accumulated depreciation for:	
Vehicles and equipment	<u>(135,306)</u>
	<u>\$ 633,715</u>

NOTE 5—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

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

	Balance 1/1/2016	Additions	Reductions	Balance 12/31/2016	Current Portion
Governmental activities:					
Capital leases payable	\$ 385,453	\$ 28,723	\$ (96,991)	\$ 317,185	\$ 113,654
Compensated absences payable	82,406	31,319	(10,581)	103,144	-
	<u>\$ 467,859</u>	<u>\$ 60,042</u>	<u>\$ (107,572)</u>	<u>\$ 420,329</u>	<u>\$ 113,654</u>

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

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

Interest on capital lease obligations were charged to governmental functions as follows:

General government	\$ 1,144
Public safety	6,738
Highways and streets	1,939
	<u>\$ 9,821</u>

Capital Lease Obligations

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

Vehicle, due in annual installments of \$15,851 through 2018, including interest at 6.84%	\$ 28,723
Vehicle, due in annual installments of \$10,477 through May 2017, including interest at 5.95%	9,889
Police vehicle, due in annual installments of \$13,796 through June 2018, including interest at 5.95%	25,311
Fire Truck, due in annual installments of \$66,611 through July 2019, including interest at 1.78%	192,920
Backhoe due in annual installments of \$15,928 through May 2020, including interest at 3.00%	60,342
	<u>\$ 317,185</u>

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

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 113,654	\$ 9,009	\$ 122,663
2018	107,010	5,176	112,186
2019	80,750	1,789	82,539
2020	15,771	158	15,929
	<u>\$ 317,185</u>	<u>\$ 16,132</u>	<u>\$ 333,317</u>

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

NOTE 6—DEFINED BENEFIT PENSION PLAN

Plan Description

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

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

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

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

Benefits Provided

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

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

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

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

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

Funding Policy

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

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's pension contributions to the NHRS for the year ending December 31, 2016 were \$265,637.

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

At December 31, 2016, the Town reported a liability of \$3,997,058 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2015. The Town's proportion of the net pension liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2016, the Town's proportion was approximately 0.0752 percent, which was an increase of 0.0002 percentage points from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Town recognized pension expense of \$464,495. At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,108	\$ 50,473
Change in assumptions	491,911	
Net difference between projected and actual earnings on pension plan investments	250,075	
Changes in proportion and differences between Town contributions and share of contributions	69,250	6,755
Town contributions subsequent to the measurement date	<u>134,004</u>	
Totals	<u>\$ 956,348</u>	<u>\$ 57,228</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions is reflected as an increase to unrestricted net position in the amount of \$899,120. The Town reported \$134,004 as deferred outflows of resources related to pension resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized as pension expense in the measurement periods as follows:

Year Ending <u>June 30,</u>	
2017	\$ 161,488
2018	161,488
2019	242,394
2020	190,354
2021	<u>9,392</u>
	<u>\$ 765,116</u>

Actuarial Assumptions

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

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

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

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

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

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

Discount Rate

The discount rate used to measure the collective pension liability was 7.25%, which is a decrease of 0.50% from the discount rate used for the prior measurement period of June 30, 2015. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer contributions are projected based on the expected payroll of current members only. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the collective pension liability.

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

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

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

	1% Decrease <u>(6.25%)</u>	Current Discount rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Town's proportionate share of the net pension liability	\$ 5,135,947	\$ 3,997,058	\$ 3,052,530

NOTE 7—INTERFUND BALANCES AND TRANSFERS

The Town incurs various interfund balances throughout the year as a result of timing differences between when amounts expended are reimbursed by the various funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. The various transfers were made in accordance with budgetary authorization.

Interfund balances at December 31, 2016 are as follows:

	Due from		Total
	General Fund	Nonmajor Governmental Funds	
Due to General Fund		\$ 3,274	\$ 3,274
Nonmajor Governmental Funds	\$ 250	224	474
	<u>\$ 250</u>	<u>\$ 3,498</u>	<u>\$ 3,748</u>

Interfund transfers for the year ended December 31, 2016 consists of a transfer of \$3,498 to the General Fund from the Permanent Funds.

NOTE 8—RESTRICTED NET POSITION

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

Permanent Funds - Endowments	\$ 306,083
Permanent Funds - Income	93,826
Police Drug Forfeiture Funds	2,791
Recreation Donation Fund	14,079
Friends of Ordway Park Fund	6,675
Basketball Court Donations Trust Fund	2,774
Police Donation Trust Fund	557
Library Fund	<u>164,872</u>
	<u>\$ 591,657</u>

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

NOTE 9—COMPONENTS OF FUND BALANCE

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable:</i>			
Permanent Funds - Endowments		\$ 306,083	\$ 306,083
Prepaid expenses	\$ 5,816		5,816
<i>Restricted for:</i>			
Permanent Funds - Income		93,826	93,826
Police Drug Forfeiture Fund		2,791	2,791
Friends of Ordway Park		6,675	6,675
Recreation Fund		14,079	14,079
Police Donation Trust Fund		557	557
Basketball Court Donations Trust Fund		2,774	2,774
Library Fund	164,872		164,872
<i>Committed for:</i>			
Cable Advisory Board		286,818	286,818
Recreation Revolving Fund		4,812	4,812
Police Special Details Fund		40,662	40,662
Conservation Commission Fund		190,724	190,724
Capital Reserve Fund	26,406		26,406
Expendable Trust Fund	1,501		1,501
Recycling Revolving Fund		8,352	8,352
<i>Assigned for:</i>			
Encumbrances	16,039		16,039
OHRV Fund	179		179
Historic District Commission Fund		3,747	3,747
Trails Fund		3,645	3,645
<i>Unassigned:</i>			
Unassigned - General operations	258,953		258,953
	<u>\$ 473,766</u>	<u>\$ 965,545</u>	<u>\$ 1,439,311</u>

NOTE 10—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$1,022,193,546 as of April 1, 2016) and are due in two installments on July 1, 2016 and December 2, 2016. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year-end).

Under State law, the Tax Collector obtains tax liens on properties which have unpaid taxes in the following calendar year after taxes were due for the amount of unpaid taxes, interest and costs. These

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

priority tax liens accrue interest at 18% per annum. If the property is not redeemed within a two year redemption period, the property is tax deeded to the Town.

In accordance with State law, the Town collects taxes for the Hampstead School District and Rockingham County, both independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$20,148,149 and \$1,132,681 for the Hampstead School District and Rockingham County, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes. At December 31, 2016, the balance of the property tax appropriations due to the school district is \$10,268,148 and has been reported in the General Fund as 'Due to other governments' in these financial statements.

NOTE 11—RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2016, the Town participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2016.

Property and Liability Insurance

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

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

NOTE 12—COMMITMENTS AND CONTINGENCIES

Sanitation Contract

The Town has entered into a long-term contract with an independent company for the collection and disposal of solid waste. The Town entered into a 3-year contract starting January 1, 2015 with Casella to provide Municipal Waste, Bulky Waste, and recycling services for the Town of Hampstead. The contracted cost will be \$418,000 for year one, \$431,000 for year two, and \$444,000 for year three. The cost for drop off location transportation and disposal services for year one is \$77 per ton plus a per haul cost of \$140. Year two will be \$79 per ton plus per haul cost \$145, and year three will be \$81 per ton plus a per haul cost of \$150. The cost for disposal for year one is \$61.50 per ton, year two is \$63.50 per ton, and year three is \$65.50 per ton. Total expenditures under this contract were \$614,723 for 2016.

Litigation

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

NOTE 13—PERFORMANCE BONDS

The Town holds performance bonds from developers until projects have been completed to Town standards. Due to the nature of the bonds they are not included as part of the financial statements. As of December 31, 2016, the performance bonds are comprised of the following:

Letters of credit	<u>\$ 90,000</u>
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NOTE 14—SUBSEQUENT EVENT

In June 2017, the Town entered into a capital lease for a highway loader totaling \$119,043 with interest at 2.96% and a maturity date of June 2022.

SCHEDULE 1
TOWN OF HAMPSTEAD, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended December 31, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 3,256,643	\$ 3,256,643	\$ 3,267,871	\$ 11,228
Licenses and permits	1,850,481	1,850,481	2,116,824	266,343
Intergovernmental	657,729	657,729	668,694	10,965
Charges for services	88,274	88,274	110,477	22,203
Interest income	5,813	5,813	9,849	4,036
Miscellaneous	36,500	36,500	36,215	(285)
Total Revenues	<u>5,895,440</u>	<u>5,895,440</u>	<u>6,209,930</u>	<u>314,490</u>
Expenditures:				
Current:				
General government	1,523,374	1,523,374	1,468,093	55,281
Public safety	2,249,898	2,249,898	2,144,859	105,039
Highways and streets	942,533	942,533	842,719	99,814
Sanitation	640,730	640,730	628,638	12,092
Health and welfare	156,429	156,429	132,858	23,571
Culture and recreation	149,718	149,718	90,554	59,164
Conservation	6,391	6,391	4,908	1,483
Total Expenditures	<u>5,669,073</u>	<u>5,669,073</u>	<u>5,312,629</u>	<u>356,444</u>
Excess revenues over expenditures	<u>226,367</u>	<u>226,367</u>	<u>897,301</u>	<u>670,934</u>
Other financing sources (uses):				
Transfers in	4,957	4,957	3,441	(1,516)
Transfers out	<u>(531,324)</u>	<u>(531,324)</u>	<u>(529,799)</u>	<u>1,525</u>
Total other financing sources (uses)	<u>(526,367)</u>	<u>(526,367)</u>	<u>(526,358)</u>	<u>9</u>
Net change in fund balance	(300,000)	(300,000)	370,943	670,943
Fund balance at beginning of year				
- Budgetary Basis	<u>849,421</u>	<u>849,421</u>	<u>849,421</u>	
Fund balance at end of year				
- Budgetary Basis	<u>\$ 549,421</u>	<u>\$ 549,421</u>	<u>\$ 1,220,364</u>	<u>\$ 670,943</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

TOWN OF HAMPSTEAD, NEW HAMPSHIRE

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

For the Year Ended December 31, 2016

	For the Measurement Period Ended June 30:			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Town's proportion of the net pension liability (asset)	0.0752%	0.0750%	0.0752%	0.0721%
Town's proportionate share of the net pension liability (asset)	\$ 3,997,058	\$ 2,969,247	\$ 2,822,909	\$ 3,103,162
Town's covered-employee payroll	\$ 1,469,991	\$ 1,435,275	\$ 1,400,468	\$ 1,334,314
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	271.91%	206.88%	201.57%	232.57%
Plan fiduciary net position as a percentage of the total pension liability	58.30%	65.47%	66.32%	59.81%

See accompanying notes to the required supplementary information

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

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 265,637	\$ 262,074	\$ 245,150	\$ 208,793
Contributions in relation to the contractually required contribution	<u>(265,637)</u>	<u>(262,074)</u>	<u>(245,150)</u>	<u>(208,793)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 1,468,104	\$ 1,454,088	\$ 1,408,971	\$ 1,349,805
Contributions as a percentage of covered-employee payroll	18.09%	18.02%	17.40%	15.47%

See accompanying notes to the required supplementary information

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

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

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

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 6,141,672	\$ 5,908,177
Difference in property taxes meeting susceptible to accrual criteria	122,595	
Encumbrances, December 31, 2016		16,039
Encumbrances, December 31, 2015		(20,733)
Capital lease proceeds	(28,723)	(28,723)
Non-budgetary activity	(551,972)	(562,131)
Budgetary transfers in and out	<u>529,799</u>	<u>529,799</u>
Per Schedule 1	<u>\$ 6,213,371</u>	<u>\$ 5,842,428</u>

NOTE 2—BUDGETARY FUND BALANCE

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

<i>Nonspendable:</i>	
Prepaid expenses	\$ 5,816
<i>Unassigned:</i>	
Unassigned - General operations	<u>1,214,548</u>
	<u>\$ 1,220,364</u>

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

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

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

Change in Actuarial Assumptions

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

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

	Special Revenue Funds	Permanent Funds	Combining Nonmajor Totals
ASSETS			
Cash and cash equivalents	\$ 540,215	\$ 37,909	\$ 578,124
Investments		365,498	365,498
Accounts receivable	24,947		24,947
Due from other funds	<u>474</u>		<u>474</u>
Total Assets	<u>565,636</u>	<u>403,407</u>	<u>969,043</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 565,636</u>	<u>\$ 403,407</u>	<u>\$ 969,043</u>
LIABILITIES			
Due to other funds	<u>\$ -</u>	<u>\$ 3,498</u>	<u>\$ 3,498</u>
Total Liabilities	<u>-</u>	<u>3,498</u>	<u>3,498</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable		306,083	306,083
Restricted	26,876	93,826	120,702
Committed	531,368		531,368
Assigned	<u>7,392</u>		<u>7,392</u>
Total Fund Balances	<u>565,636</u>	<u>399,909</u>	<u>965,545</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 565,636</u>	<u>\$ 403,407</u>	<u>\$ 969,043</u>

SCHEDULE A-1
TOWN OF HAMPSTEAD, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
December 31, 2016

	Cable Advisory Board	Recreation Revolving Fund	Historic District Commission	Trails Fund	Police Special Details Fund	Drug Forfeiture Fund	Conservation Commission	Friends of Ordway Park	Recreation Donation Fund	Police Donation Trust Fund	Basketball Court Donations Trust Fund	Recycling Revolving Fund	Total Nonmajor Special Revenue Funds
ASSETS													
Cash and cash equivalents	\$ 286,818	\$ 4,812	\$ 3,747	\$ 3,645	\$ 15,491	\$ 2,541	\$ 190,724	\$ 6,675	\$ 14,079	\$ 557	\$ 2,774	\$ 8,352	\$ 540,215
Accounts receivable					24,947								24,947
Due from other funds					224	250							474
Total Assets	<u>286,818</u>	<u>4,812</u>	<u>3,747</u>	<u>3,645</u>	<u>40,662</u>	<u>2,791</u>	<u>190,724</u>	<u>6,675</u>	<u>14,079</u>	<u>557</u>	<u>2,774</u>	<u>8,352</u>	<u>565,636</u>
DEFERRED OUTFLOWS OF RESOURCES													
Total Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 286,818</u>	<u>\$ 4,812</u>	<u>\$ 3,747</u>	<u>\$ 3,645</u>	<u>\$ 40,662</u>	<u>\$ 2,791</u>	<u>\$ 190,724</u>	<u>\$ 6,675</u>	<u>\$ 14,079</u>	<u>\$ 557</u>	<u>\$ 2,774</u>	<u>\$ 8,352</u>	<u>\$ 565,636</u>
LIABILITIES													
Total Liabilities	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
DEFERRED INFLOWS OF RESOURCES													
Total Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-	-
FUND BALANCES													
Restricted						2,791		6,675	14,079	557	2,774		26,876
Committed	286,818	4,812			40,662		190,724					8,352	531,368
Assigned			3,747	3,645									7,392
Total Fund Balances	<u>286,818</u>	<u>4,812</u>	<u>3,747</u>	<u>3,645</u>	<u>40,662</u>	<u>2,791</u>	<u>190,724</u>	<u>6,675</u>	<u>14,079</u>	<u>557</u>	<u>2,774</u>	<u>8,352</u>	<u>565,636</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 286,818</u>	<u>\$ 4,812</u>	<u>\$ 3,747</u>	<u>\$ 3,645</u>	<u>\$ 40,662</u>	<u>\$ 2,791</u>	<u>\$ 190,724</u>	<u>\$ 6,675</u>	<u>\$ 14,079</u>	<u>\$ 557</u>	<u>\$ 2,774</u>	<u>\$ 8,352</u>	<u>\$ 565,636</u>

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

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Combining Nonmajor <u>Totals</u>
Revenues:			
Licenses and permits	\$ 100,831		\$ 100,831
Charges for services	152,230		152,230
Interest and investment income	535	\$ 14,181	14,716
Miscellaneous	<u>11,689</u>	<u>6,981</u>	<u>18,670</u>
Total Revenues	<u>265,285</u>	<u>21,162</u>	<u>286,447</u>
Expenditures:			
Current operations:			
General government	334		334
Public safety	124,730		124,730
Sanitation	1,567		1,567
Culture and recreation	80,584		80,584
Conservation	1,433		1,433
Capital outlay	<u>1,870</u>		<u>1,870</u>
Total Expenditures	<u>210,518</u>	<u>-</u>	<u>210,518</u>
Excess revenues over expenditures	<u>54,767</u>	<u>21,162</u>	<u>75,929</u>
Other financing (uses):			
Transfers out		<u>(3,498)</u>	<u>(3,498)</u>
Total other financing (uses)	<u>-</u>	<u>(3,498)</u>	<u>(3,498)</u>
Net change in fund balances	54,767	17,664	72,431
Fund balances at beginning of year	<u>510,869</u>	<u>382,245</u>	<u>893,114</u>
Fund balances at end of year	<u>\$ 565,636</u>	<u>\$ 399,909</u>	<u>\$ 965,545</u>

SCHEDULE B-1
TOWN OF HAMPSTEAD, 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, 2016

	Cable Advisory <u>Board</u>	Recreation Revolving <u>Fund</u>	Historic District <u>Commission</u>	Trails <u>Fund</u>	Police Special Details <u>Fund</u>	Drug Forfeiture <u>Fund</u>	Conservation <u>Commission</u>	Violet's <u>Fund</u>	Friends of <u>Ordway Park</u>	Recreation Donation <u>Fund</u>	Police Donation <u>Trust Fund</u>	Basketball Court Donation <u>Trust Fund</u>	Recycling Revolving <u>Fund</u>	Total Nonmajor Special Revenue <u>Funds</u>
Revenues:														
Licenses and permits	\$ 100,831													\$ 100,831
Charges for services		\$ 18,139			\$ 133,541								\$ 550	152,230
Interest and investment income	91		\$ 6	\$ 5	109	\$ 4	\$ 273		\$ 12	\$ 16	\$ 1	\$ 5	13	535
Miscellaneous		1,220	500							9,469		500		11,689
Total Revenues	<u>100,922</u>	<u>19,359</u>	<u>506</u>	<u>5</u>	<u>133,650</u>	<u>4</u>	<u>273</u>	<u>\$ -</u>	<u>12</u>	<u>9,485</u>	<u>1</u>	<u>505</u>	<u>563</u>	<u>265,285</u>
Expenditures:														
Current operations:														
General government								334						334
Public safety					124,730									124,730
Sanitation													1,567	1,567
Culture and recreation	57,177	18,031	1,900						88	3,388				80,584
Conservation				1,433										1,433
Capital outlay												1,870		1,870
Total Expenditures	<u>57,177</u>	<u>18,031</u>	<u>1,900</u>	<u>1,433</u>	<u>124,730</u>	<u>-</u>	<u>-</u>	<u>334</u>	<u>88</u>	<u>3,388</u>	<u>-</u>	<u>1,870</u>	<u>1,567</u>	<u>210,518</u>
Net change in fund balances	43,745	1,328	(1,394)	(1,428)	8,920	4	273	(334)	(76)	6,097	1	(1,365)	(1,004)	54,767
Fund balances at beginning of year	<u>243,073</u>	<u>3,484</u>	<u>5,141</u>	<u>5,073</u>	<u>31,742</u>	<u>2,787</u>	<u>190,451</u>	<u>334</u>	<u>6,751</u>	<u>7,982</u>	<u>556</u>	<u>4,139</u>	<u>9,356</u>	<u>510,869</u>
Fund balances at end of year	<u>\$ 286,818</u>	<u>\$ 4,812</u>	<u>\$ 3,747</u>	<u>\$ 3,645</u>	<u>\$ 40,662</u>	<u>\$ 2,791</u>	<u>\$ 190,724</u>	<u>\$ -</u>	<u>\$ 6,675</u>	<u>\$ 14,079</u>	<u>\$ 557</u>	<u>\$ 2,774</u>	<u>\$ 8,352</u>	<u>\$ 565,636</u>