

TOWN OF LITTLETON, NEW HAMPSHIRE

Financial Statements

December 31, 2016

and

Independent Auditor's Report

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

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Littleton, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Littleton, New Hampshire (the "Town"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, discretely presented component unit, each major fund, and the aggregate remaining fund information of the Town of Littleton, 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, schedule of funding progress for other post-employment benefits, schedule of changes in the Town's proportionate share of the net pension liability, and schedule of Town contributions on pages i-xii and 34-40 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 Littleton, New Hampshire's basic financial statements. The combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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



Manchester, New Hampshire
January 15, 2018

Town of Littleton, NH
Management's Discussion and Analysis (MD & A)
Of the Annual Financial Report for the Year Ended
December 31, 2016

The Board of Selectmen, as management of the Town of Littleton, NH (the town), offer readers of the Town's annual financial statements this narrative discussion and analysis of the financial activities of the Town for the fiscal year which ended December 31, 2016. The Town's management has prepared this discussion and analysis to encourage readers to consider the information presented here in conjunction with additional information found within the body of the annual financial statements.

FINANCIAL HIGHLIGHTS

- The Town's total net position for the year ending December 31, 2015 was \$10,502,630. For the year ending December 31, 2016 the net position was \$11,579,191. Net position increased by \$1,076,561 or 10.25%, between January 1, 2016 and December 31, 2016. The Town's total net position consisted of \$12,738,430 net investment in capital assets, assets restricted for trusts of \$720,798, Library of \$885,769, \$13,788 of assets restricted for grants, Drug forfeiture of \$1,436, Opera House of \$709 and an unrestricted net asset deficit balance of (\$2,781,739).
- The Town's long-term obligations as of December 31, 2016 total \$11,190,655. These liabilities are reflected as a reduction in net position.
- The Town continues numerous construction projects to improve its infrastructure and maintain capital assets keeping in mind the necessity of protecting the assets of the community balanced with the fiscal impact of such projects.
- During the year, the Town's expenses of \$8,832,379 were \$1,076,561 less than the revenues of \$9,908,940. Revenues consist of: charges for services; operating grants and contributions, capital grants and contributions; and general revenues (which consist of local and state property tax assessments, state and federal grants, and contributions not restricted to purpose).

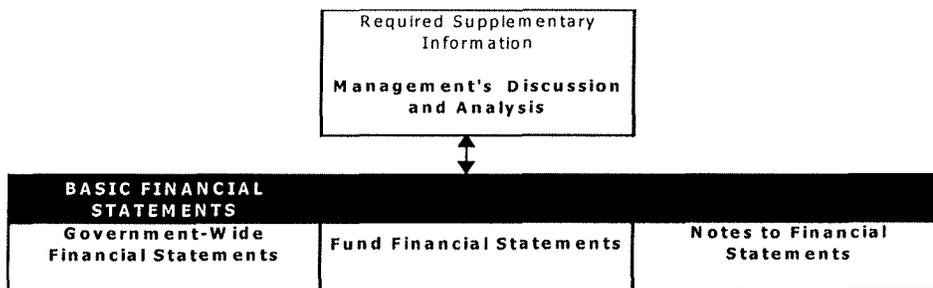
OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town's annual financial report, which consists of basic financial statements, notes to the financial statements, and related financial/compliance information. Our annual financial report consists of five elements: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements, 4) required supplementary information, and, 5) this discussion and analysis. This report also contains other supplementary information in addition to the basic financial statements themselves.

The basic financial statements include two kinds of statements that present different views of the Town based upon measurement focus and basis of accounting.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town, reporting the Town's operations in more detail than the government-wide statements. The governmental fund statements tell how the Town's services were financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about the financial relationships in which the Town acts solely as a trustee or agent for the benefit of others, to whom the resources belong.
- The Town's financial statements include all funds of the Town ("primary government") as well as its component unit. The primary government represents all funds under the ultimate control of the Town. The component unit is a separate legal entity. While legally separate, the component unit is part of the Town government *in substance*. The Town's financial statements could be misleading without incorporating component unit information.
- The Littleton Water and Light component unit is reported in a separate column of the Town's financial statements, set apart from the rest of the primary government. This unit is discretely presented in the financial statements because the Town is financially accountable for it.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The following exhibit shows how the required parts of this annual report are arranged and related to one another.



The following exhibit summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information they contain.

	Government-Wide	Fund Statements	
		Governmental	Fiduciary
SCOPE	Entire Town government (except fiduciary funds)	All activities of the Town that are not proprietary or fiduciary	Instances in which the Town is the trustee or agent for someone else's resources
REQUIRED FINANCIAL STATEMENTS	Statement of Net Position	Balance Sheet	Statement of Fiduciary Assets
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Changes in Fiduciary Net Position
ACCOUNTING BASIS	Accrual	Modified Accrual	Accrual
MEASUREMENT FOCUS	Economic Resources	Current Financial Resources	Economic Resources

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-wide Financial Statements

The Government-wide Financial Statements show functions of the Town that are principally supported by property taxes and intergovernmental revenues as "Governmental Activities." These functions are accounted for in the General, Special Revenue, Capital Project and Permanent Funds. Intergovernmental revenues include local, state and federal monies. The governmental activities of the Town include general government, public safety, operation and maintenance of roadways and facilities, and operation of town wide services such as welfare, culture and recreation as well as conservation departments. Taxes and intergovernmental revenues also support capital assets and related debt.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund definitions are part of a state mandated uniform accounting system and chart of accounts for all New Hampshire towns. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. A detailed statement of fund financial activity is also contained in the State of New Hampshire Annual Financial Report (MS-535), on file at the Town of Littleton.

All of the funds of the Town can be divided into three categories: governmental funds, proprietary funds and fiduciary funds. General Fund, Sewer Fund and six non-major funds are consolidated as Governmental Funds. The General Fund and Sewer Fund are compared to budget in the Budgetary Comparison Schedules. Fiduciary Funds are trust funds belonging to other governmental entities, which are classified in the financial statements as either private purpose trusts or agency funds.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position may serve, over time, as a useful indicator of a government's financial position. The largest portion of the Town's net position reflects its investment in capital assets (e.g., land, land easements, land improvements, works of art, construction in progress, buildings and improvements, leasehold improvements, vehicles, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding. The Town uses these capital assets to provide services to its residents; consequently, these assets are not available for future spending. Although the Town's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The Town's financial position is the product of several financial transactions including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation of capital assets. Summaries of the capital assets, depreciation and long-term debt obligations can be found in the Notes to Financial Statements. Depreciation is included by accounting convention thus the depreciated value of a Town asset, as reflected in these reports, does not reflect an asset's useful, market or replacement value.

Net Position for the period ending December 31, 2016. Comparative data from 2016 and 2015 is presented to provide a financial analysis of the current financial position of the Town. In 2016, the unrestricted net position deficit totals (\$2,781,739) which is an increase in deficit of \$284,766 from the December 31, 2015 balance.

Summary of Net Position
Governmental Activities

	<u>2016</u>	<u>2015</u>	Increase (Decrease)
Current Assets	\$ 10,270,761	\$ 9,279,983	990,778
Capital Assets	<u>18,305,304</u>	<u>17,847,397</u>	<u>457,907</u>
Total Assets	28,576,065	27,127,380	1,448,685
Deferred Outflows of Resources			
Related to Pensions	<u>1,602,566</u>	<u>424,711</u>	<u>1,177,855</u>
Current Liabilities	7,307,483	6,599,874	707,609
Noncurrent Liabilities	<u>11,190,655</u>	<u>10,200,028</u>	<u>990,627</u>
Total Liabilities	18,498,138	16,799,902	1,698,236
Deferred Inflows of Resources:			
Related to Pensions	101,302	248,199	(146,897)
Other	<u>-</u>	<u>1,360</u>	<u>(1,360)</u>
Total Deferred Inflows of Resources	101,302	249,559	(148,257)
Net Investment in Capital Assets	12,738,430	11,450,944	1,287,486
Restricted Net Position	1,622,500	1,548,659	73,841
Unrestricted Net Position	<u>(2,781,739)</u>	<u>(2,496,973)</u>	<u>(284,766)</u>
Total Net Position	<u>\$ 11,579,191</u>	<u>\$ 10,502,630</u>	<u>\$ 1,076,561</u>

A portion of the net position is either invested in capital assets or restricted as to the purposes they can be used for.

- The Town's net investment in capital assets is the largest component of the total combined net position.
- Restricted net position represents grants, trust funds library and other amounts that are not available for discretionary spending.

Summary of Changes in Net Position
Governmental Activities

	<u>2016</u>	<u>% of Total</u>	<u>2015</u>	<u>% of Total</u>	<u>Difference</u>
Revenues:					
Charges for Services	1,451,207	14.65%	1,352,561	14.78%	98,646
Operating Grants and Contributions	69,205	0.70%	267,807	2.93%	(198,602)
Capital Grants and Contributions	885,548	8.94%	220,347	2.41%	665,201
General Revenue:					
Taxes	5,702,836	57.55%	5,718,316	62.48%	(15,480)
Licenses & Permits	1,293,148	13.05%	1,239,431	13.54%	53,717
Unrestricted Grants & Contributions	306,379	3.09%	285,360	3.12%	21,019
Interest and Investment Earnings (Losses)	105,464	1.06%	(31,581)	-0.35%	137,045
Miscellaneous	78,997	0.80%	99,831	1.09%	(20,834)
Gain on Disposal of Capital Assets	16,156	0.16%	-	0.00%	16,156
Total Revenues	<u>9,908,940</u>	<u>100.00%</u>	<u>9,152,072</u>	<u>100.00%</u>	<u>756,868</u>
Expenses:					
General Government	1,658,865	18.78%	1,659,615	18.93%	(750)
Public Safety	3,186,212	36.07%	2,830,047	32.28%	356,165
Highways & Streets	1,692,462	19.16%	1,740,636	19.85%	(48,174)
Sanitation	1,237,055	14.01%	1,434,683	16.36%	(197,628)
Health & Welfare	126,373	1.43%	157,978	1.80%	(31,605)
Culture & Recreation	786,988	8.91%	667,946	7.62%	119,042
Conservation	7,941	0.09%	139,219	1.59%	(131,278)
Interest	136,483	1.55%	138,359	1.58%	(1,876)
Total Expenses	<u>8,832,379</u>	<u>100.00%</u>	<u>8,768,483</u>	<u>100.00%</u>	<u>63,896</u>
Change in Net Position	1,076,561		383,589		692,972
Net Position, beginning	10,502,630		10,119,041		
Net Position, ending	<u>\$ 11,579,191</u>	<u>\$ -</u>	<u>\$ 10,502,630</u>	<u>\$ -</u>	<u>\$ 1,076,561</u>

Change in Net Position. The Town's total revenues were \$9,908,940; total expenses \$8,832,379 resulting in an increase of net assets of \$1,076,561. The largest part, nearly 57.55%, of the Town's revenues came from the local tax assessment.

The Town's expenses were largely for, (1) Public Safety, (2) Highways & Streets (3) General Government, and (4) Sanitation representing (88.02%), of total expenses combined.

Revenues. Comparative data from 2015 is presented with current year data to provide a more meaningful comparison when addressing significant increases or decreases in the percentage of total revenues or percentages and amounts over or under the prior year.

- Tax assessment, 57.55% and 62.48% of total revenue for the years ended December 31, 2016, and 2015, respectively, a decrease of 4.93% of total revenue with a decrease of \$15,480 in Taxes compared to the prior year amount.
- Capital grants, bonds, and contributions, 8.94% and 2.93% of total revenue for the years ended December 31, 2016, and 2015, respectively, an increase over the prior year largely due to Modal Bridge, highways and streets, and Public Safety grants & projects.

Summary of Revenues. The biggest share, \$8,447,191 (about 85.25%), of revenue was derived from local appropriations, charges for services, and license and permit fees. The following revenue statement includes all revenues from local, state and federal sources.

	<u>2016</u>	<u>2015</u>	<u>Variance</u>
Taxes	\$ 5,702,836	\$ 5,718,316	\$ (15,480)
Licenses & Permits	1,293,148	1,239,431	53,717
Grants & Contributions	1,261,132	773,514	487,618
Charges for Services	1,451,207	1,352,561	98,646
Interest and Investment Earnings (Losses)	105,464	(31,581)	137,045
Miscellaneous	78,997	99,831	(20,834)
Gain on Disposal of Capital Assets	16,156	-	16,156
Total	<u>\$ 9,908,940</u>	<u>\$ 9,152,072</u>	<u>\$ 756,868</u>

Expenses. The following analysis provides comparisons when addressing significant increases or decreases in the percentage of total expenses or percentages and amounts over or under the prior year.

- General Government expenses, 18.78% and 18.93% of total expenses for the years ended December 31, 2016, and 2015,
- Public Safety expenses, 36.07% and 32.28% of total expenses for the years ended December 31, 2016, and 2015,
- Highway and streets expenses, 19.16% and 19.85% of total expenses for the year's ended December 31, 2016, and 2015.
- Sanitation expenses, 14.01% and 16.36% of total expenses for the years ended December 31, 2016, and 2015.

Summary of Expenditures. The Town of Littleton, NH used its resources as depicted in the chart below. More than 36% of all expenses were for Public Safety. This expense statement includes amounts paid from local, state and federal appropriations.

Expenses:

	<u>2016</u>	<u>2015</u>	<u>Variance</u>
General Government	\$ 1,658,865	\$ 1,659,615	\$ (750)
Public Safety	3,186,212	2,830,047	356,165
Highways & Streets	1,692,462	1,740,636	(48,174)
Sanitation	1,237,055	1,434,683	(197,628)
Health & Welfare	126,373	157,978	(31,605)
Culture & Recreation	786,988	667,946	119,042
Conservation	7,941	139,219	(131,278)
Interest	136,483	138,359	(1,876)
Total	<u>\$ 8,832,379</u>	<u>\$ 8,768,483</u>	<u>\$ 63,896</u>

Governmental Activities. The following exhibit presents the net cost of the Town's largest functions based upon the total expenses, less charges for services and operating grants and contributions, of each function. The net cost reflects the amount that was funded by general revenues (principally the property tax assessment which is derived by local property taxes and general state aid).

The total cost of all governmental activities this year was \$8,630,124; the total net increase in net position was \$383,589. The primary financing for these activities of the Town was as follows:

Property taxes

- The amount that was billed to taxpayers through property taxes total \$17,939,350, of which the municipal portion is \$5,718,316.

TOTAL AND NET COST OF SERVICES

	Total Cost of Services			Net Costs of Services		
	2016	2015	Change	2016	2015	Change
Functions:						
General Government	\$ 1,658,865	\$ 1,659,615	\$ (750)	\$ (1,658,865)	\$ (1,489,233)	\$ (169,632)
Public Safety	3,186,212	2,830,047	356,165	(3,092,979)	(2,740,147)	(352,832)
Highways & Streets	1,692,462	1,740,636	(48,174)	(904,551)	(1,557,002)	652,451
Sanitation	1,237,055	1,434,683	(197,628)	142,014	(200,712)	342,726
Welfare & Health	126,373	157,978	(31,605)	(126,373)	(157,978)	31,605
Culture & Recreation	786,988	667,946	119,042	(641,241)	(506,668)	(134,573)
Conservation	7,941	139,219	(161,278)	(7,941)	(137,669)	129,728
Interest	136,483	138,359	(1,876)	(136,483)	(138,359)	1,876
Total	<u>\$ 8,832,379</u>	<u>\$ 8,768,483</u>	<u>\$ 63,896</u>	<u>\$ (6,426,419)</u>	<u>\$ (6,927,768)</u>	<u>\$ 501,349</u>

Intergovernmental revenues

- Revenues of \$581,835 were received from the State of New Hampshire under the categories of sanitation aid, rooms & meals tax and highway block grants which are provisions of the State's funding system.

Bond/Financing Proceeds

- Funding was received through bonds, loans, notes and financing proceeds for 2016 in the amount of \$545,000.

Charges for Services

- Sanitation fees totaling \$989,696 reflect user fees, connection fees, and septic hauler fees for the Sewer Fund
- Recycling Center charges, \$290,984 represents fees for pay per bag, selling of recycling material, disposal of non-recycling materials and related services.
- Recreation fees are charged to users of the programs and totaled \$112,424.

INDIVIDUAL FUND ANALYSIS

General Fund

The General Fund is what most people think of as "the budget" since it is the focal point of the Annual Town Meeting and largely supported by locally raised taxes. The local appropriation (property taxes) makes up 68.0% of general fund revenues and other financing sources. Together, the revenues raised locally comprise over 85.6% of the Town's General Fund revenues and other financing sources, while the intergovernmental sources of revenue, which include state aid total nearly 6.1% of total revenues. Also depicted below are general fund expenditures by departments for the years ending 2016 and 2015.

General Fund Revenues	2016	2015	Variance
Taxes	5,823,751	5,355,093	468,658
Licenses & Permits	1,232,082	1,175,802	56,280
Intergovernmental	525,803	542,659	-16,856
Charges for Services	113,950	102,146	11,804
Net Investment Income	49,424	-23,678	73,102
Miscellaneous	104,899	163,411	-58,512
Transfers In	163,353	233,741	-70,388
Bond Proceeds	545,000	1,399,500	-854,500
Total	8,558,262	8,948,674	-390,412

General government makes up 17.26% of all general fund expenditures, while public safety, highways and streets, including the operation of equipment and facilities, make up 47.03% of all General Fund expenditures. Capital Outlay made up 11.15%. The remaining 24.56% includes culture and recreation, sanitation, health and welfare, miscellaneous expenditures and debt service - interest. The following charts provide a more detailed depiction of the makeup and proportions of the expenditures in these broad categories.

General Fund Expenditures	2016	2015	Variance
General Government	1,418,019	1,373,345	44,674
Public Safety	2,661,560	2,555,394	106,166
Highways & Streets	1,203,760	1,113,275	90,485
Health & Welfare	104,873	125,478	-20,605
Culture & Recreation	709,078	658,276	50,802
Conservation	2,396	1,779	617
Sanitation	13,974		13,974
Debt Service	1,187,348	1,097,895	89,453
Transfer Out	128,194	92,245	35,949
Capital Outlay	916,431	2,241,074	-1,324,643
Total	8,345,633	9,258,761	-913,128

CAPITAL RESERVE FUND

Expendable capital and maintenance reserve funds (established by voters at an annual town meeting as trust funds in accordance with statutory requirements) have been blended with the general fund in accordance with GASB Statement No. 54 Fund Balance Reporting and Governmental type definitions. The capital reserve fund balances for the Town increased \$12,952 during the year from \$252,249 at December 31, 2015, to \$265,201 at December 31, 2016. In accordance with statutory requirements, they are held in custody by the Trustees of Trust Funds and are only released for the restricted specific purposes of the individual funds.

COMMENTS ON GENERAL FUND BUDGET COMPARISONS

- The beginning budgetary General Fund balance was \$1,279,301. General Fund budgetary revenues and other financing uses were less than budgeted revenues by (\$311,962). General Fund budgetary expenditures and other financing uses were less than appropriations by \$102,835. These variances are absorbed in the unassigned and the designated for contingency ending balance. There was proceeds of notes payable in the amount of \$375,000. An increase in non-spendable fund balance of \$549, increase in budgetary fund balance committed for non-lapsing appropriations of \$713,750, and a decrease assigned fund balance for abatement

contingency and subsequent year appropriations of \$375,000 and \$1,119 respectively resulted in an increase in the budgetary unassigned fund balance of \$41,815. Also \$200,000 of the 2015 unassigned fund balance was used to reduce the 2016 tax rate. The final unassigned fund balance for budgetary purposes as of December 31, 2016 was \$511,578. Additional budgetary comparison information can be found in the required supplementary information of the financial statements.

- General Fund budgetary revenues, consisting largely of local taxes and other locally raised revenues were; \$7,531,385. The expenses for the General Fund were \$7,224,602. Transfers in and out were \$157,849 and \$812,776 respectively. Note proceeds total \$375,000.
- Significant General Fund expenditures-to-net-budget variances occurred in several functions:
 - General Government was over-expended by \$38,091 due primarily to changes in data services, insurances, and increase in cost throughout the expenses.
 - Public Safety was under-expended by \$192,579 due primarily to staff changes and unfilled positions for short periods of time.
 - Highways and streets were over-expended by \$37,631 due to increase project cost and more work being done on the roadways and streets.

We are constantly making changes to our budget planning processes to improve the accuracy of our budget assessments and reduce the size and frequency of future budget variances. Since it is not possible to know in advance all of the circumstances that might create budget variances, we will continue to estimate future costs based on our experience, judgment, and actual expenditure data.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

On December 31, 2015, the Town reported capital assets of \$35,241,362 before accumulated depreciation, which consist of a broad range of capital assets, including land, land easements & land improvements, works of art, buildings & improvements, leasehold improvements, vehicles, equipment, bridges, infrastructure and works in progress. On December 31, 2016, the Town reported capital assets of \$36,659,862. The majority of the increase is related to the Hill and School Street construction in the amount of \$523,384 and construction of the Multi Modal Bridge in the amount of \$662,013. More details to the Capital Assets can be found on Page 19 and 20 under the heading of Note 3-Capital Assets.

The Town also annually invests in new furnishings, computers and peripherals, highway and other equipment, as well as infrastructure improvements and enhancements as appropriate.

Capital Assets at Year End
Governmental Activities

	<u>2016</u>	<u>2015</u>	Increase (Decrease)
Land & Improvements	\$7,357,328	\$7,357,328	\$ -
Land Easements	466,775	466,775	-
Works of Art	80,957	80,957	-
CIP	84,551	227,783	(143,232)
Buildings & Improvements	13,714,656	13,613,826	100,830
Machinery & Equipment	3,347,168	3,292,753	54,415
Vehicles	2,985,514	3,058,962	(73,448)
Infrastructure	8,622,913	7,142,978	1,479,935
Totals at Historical Cost	<u>36,659,862</u>	<u>35,241,362</u>	<u>1,418,500</u>
Less: Accumulated Depreciation	<u>(18,354,558)</u>	<u>(17,393,965)</u>	<u>(960,593)</u>
Total Net Capital Assets	<u>\$18,305,304</u>	<u>\$17,847,397</u>	<u>\$457,907</u>

On December 31, 2016, the Town had \$5,866,874 of outstanding long-term obligation, a decrease of 8.3% compared to 2015 due to debt repayment of \$1,074,579 offset by new issuance of debt of \$545,000 to fund various highway and street projects and vehicle and equipment purchases. The Governmental Activity debt summary for calendar year 2015 is presented below:

Long-Term Debt Outstanding at Year End
Governmental Activities

	<u>2016</u>	<u>2015</u>	Increase (Decrease)
General Obligation Bonds/Notes Payable	\$5,866,874	\$6,396,453	\$ (529,579)
Accrued Landfill Postclosure Care Costs	67,496	141,400	(73,904)
Net Other Postemployment Benefits Liability	212,938	244,197	(31,259)
Total Long-Term Debt Outstanding	<u>\$6,147,308</u>	<u>\$6,782,050</u>	<u>\$ (634,742)</u>

Additional information in the aforementioned changes in long term obligations can be found in the following notes to the financial statements. Notes payables can be found at pages 21 and 22 – Note 5 – Long Term Obligations. Accrued landfill postclosure care costs can be found at page 23 – Note 6 – Accrued Landfill Postclosure Care Costs. Net other post employment benefits information can be found at pages 27 through 29 – Note 8 – Other Post Employment Benefits.

FUTURE BUDGET

The beginning General Fund - Fund balance equity for the 2017 fiscal year is \$1,306,157, of which \$511,578 represents budgetary unassigned fund balance. The Town of Littleton, at the 2017 annual meeting adopted an operating budget for all funds totaling \$8,730,879 which is \$335,534 more than the prior year budget.

Questions regarding this report should be directed to Karen Noyes, Finance Director at knoyes@townoflittleton.org or by telephone (603-444-3996) lastly by mail at:

Town of Littleton, NH, 125 Main Street, Littleton, NH 03561.

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

	<u>Primary Government</u>	
	<u>Governmental</u>	<u>Component</u>
	<u>Activities</u>	<u>Unit</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 1,094,912	\$ 3,517,860
Investments	7,957,350	1,214,208
Taxes receivable, net	749,974	
Accounts receivable, net	170,507	717,839
Current portion of intergovernmental receivable	217,399	7,295
Inventory		853,579
Prepaid expenses	12,444	10,785
Tax dedeed property available for sale	<u>68,175</u>	
Total Current Assets	<u>10,270,761</u>	<u>6,321,566</u>
Noncurrent Assets:		
Capital assets:		
Non-depreciable capital assets	2,405,162	145,718
Depreciable capital assets, net	15,900,142	7,882,088
Intergovernmental receivable, net of current portion		<u>27,460</u>
Total Noncurrent Assets	<u>18,305,304</u>	<u>8,055,266</u>
Total Assets	<u>28,576,065</u>	<u>14,376,832</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions	<u>1,602,566</u>	<u>410,799</u>
Total Deferred Outflows of Resources	<u>1,602,566</u>	<u>410,799</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	621,417	625,992
Accrued expenses	269,123	2,757
Due to other governments	5,338,546	
Advances from grantors	7,412	
Deposits	5,051	127,248
Current portion of bonds payable		36,473
Current portion of notes payable	1,060,742	
Current portion of accrued landfill postclosure obligation	<u>5,192</u>	
Total Current Liabilities	<u>7,307,483</u>	<u>792,470</u>
Noncurrent Liabilities:		
Bonds payable		137,300
Notes payable	4,806,132	
Accrued landfill postclosure obligation	62,304	
Net pension liability	6,109,281	1,851,035
Other post-employment benefits obligation	<u>212,938</u>	<u>9,879</u>
Total Noncurrent Liabilities	<u>11,190,655</u>	<u>1,998,214</u>
Total Liabilities	<u>18,498,138</u>	<u>2,790,684</u>
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows of resources related to pensions	<u>101,302</u>	<u>36,514</u>
Total Deferred Inflows of Resources	<u>101,302</u>	<u>36,514</u>
NET POSITION		
Net investment in capital assets	12,738,430	7,854,033
Restricted	1,622,500	
Unrestricted (Deficit)	<u>(2,781,739)</u>	<u>4,106,400</u>
Total Net Position	<u>\$ 11,579,191</u>	<u>\$ 11,960,433</u>

See accompanying notes to the basic financial statements

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	Component Unit
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government Governmental Activities	
Governmental Activities:						
General government	\$ 1,658,865				\$ (1,658,865)	
Public safety	3,186,212	\$ 56,876	\$ 36,357		(3,092,979)	
Highways and streets	1,692,462	752		\$ 787,159	(904,551)	
Health and welfare	126,373				(126,373)	
Sanitation	1,237,055	1,280,680		98,389	142,014	
Culture and recreation	786,988	112,899	32,848		(641,241)	
Conservation	7,941				(7,941)	
Interest and fiscal charges	136,483				(136,483)	
Total governmental activities	<u>\$ 8,832,379</u>	<u>\$ 1,451,207</u>	<u>\$ 69,205</u>	<u>\$ 885,548</u>	<u>(6,426,419)</u>	
Component unit:						
Electric service	\$ 8,275,985	\$ 8,407,067				\$ 131,082
Water service	854,230	502,053				(352,177)
Total component unit	<u>\$ 9,130,215</u>	<u>\$ 8,909,120</u>	<u>\$ -</u>	<u>\$ -</u>		<u>(221,095)</u>
General revenues:						
					5,702,836	
					1,293,148	
Grants and contributions:						
					306,379	
					105,464	4,008
					78,997	214,328
					16,156	1,800
					<u>7,502,980</u>	<u>220,136</u>
					1,076,561	(959)
					<u>10,502,630</u>	<u>11,961,392</u>
					<u>\$ 11,579,191</u>	<u>\$ 11,960,433</u>

See accompanying notes to the basic financial statements

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

	General <u>Fund</u>	Sewer <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,089,354		\$ 5,558	\$ 1,094,912
Investments	7,151,477	\$ 44,287	761,586	7,957,350
Taxes receivable, net	749,974			749,974
Accounts receivable	72,904	75,474	22,129	170,507
Due from other governments			217,399	217,399
Due from other funds	182,354	569,082	50,504	801,940
Prepaid expenses	12,444			12,444
Tax dedeed property	68,175			68,175
Total Assets	<u>9,326,682</u>	<u>688,843</u>	<u>1,057,176</u>	<u>11,072,701</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 9,326,682</u>	<u>\$ 688,843</u>	<u>\$ 1,057,176</u>	<u>\$ 11,072,701</u>
LIABILITIES				
Accounts payable	\$ 574,875	\$ 26,425	\$ 20,117	\$ 621,417
Accrued expenses	216,396		13,884	230,280
Due to other governments	5,338,546			5,338,546
Advances from grantors			7,412	7,412
Due to other funds	619,586		182,354	801,940
Deposits	5,051			5,051
Total Liabilities	<u>6,754,454</u>	<u>26,425</u>	<u>223,767</u>	<u>7,004,646</u>
DEFERRED INFLOWS OF RESOURCES				
Uncollected property taxes	492,602			492,602
Total Deferred Inflows of Resources	<u>492,602</u>	<u>-</u>	<u>-</u>	<u>492,602</u>
FUND BALANCES				
Nonspendable	80,619		676,167	756,786
Restricted	886,478		59,855	946,333
Committed	1,055,643	662,418	97,387	1,815,448
Assigned	37,910			37,910
Unassigned	18,976			18,976
Total Fund Balances	<u>2,079,626</u>	<u>662,418</u>	<u>833,409</u>	<u>3,575,453</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 9,326,682</u>	<u>\$ 688,843</u>	<u>\$ 1,057,176</u>	<u>\$ 11,072,701</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1
TOWN OF LITTLETON, 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)	3,575,453
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	18,305,304
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis	492,602
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 attributable to net pension liability	1,602,566
Deferred inflows of resources attributable to net pension liability	(101,302)
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:	
Notes payable	(5,866,874)
Accrued interest on long-term obligations	(38,843)
Accrued landfill postclosure obligation	(67,496)
Net pension liability	(6,109,281)
Other post-employment benefits obligation	<u>(212,938)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 11,579,191</u>

See accompanying notes to the basic financial statements

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

	General Fund	Sewer Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 5,823,751			\$ 5,823,751
Licenses and permits	1,232,082		\$ 61,066	1,293,148
Intergovernmental	525,803	\$ 98,389	610,092	1,234,284
Charges for services	113,950	989,696	347,561	1,451,207
Investment income	49,424	443	55,597	105,464
Miscellaneous	104,899		17,102	122,001
Total Revenues	<u>7,849,909</u>	<u>1,088,528</u>	<u>1,091,418</u>	<u>10,029,855</u>
Expenditures:				
Current operations:				
General government	1,418,019		21,619	1,439,638
Public safety	2,661,560		98,741	2,760,301
Highways and streets	1,203,760		610,300	1,814,060
Health and welfare	104,873			104,873
Sanitation	13,974	764,322	377,373	1,155,669
Culture and recreation	709,078			709,078
Conservation	2,396			2,396
Capital outlay	916,431		17,982	934,413
Debt service:				
Principal retirement	1,049,325	6,098	19,156	1,074,579
Interest and fiscal charges	138,023	1,425	2,854	142,302
Total Expenditures	<u>8,217,439</u>	<u>771,845</u>	<u>1,148,025</u>	<u>10,137,309</u>
Excess of revenues over (under) expenditures	<u>(367,530)</u>	<u>316,683</u>	<u>(56,607)</u>	<u>(107,454)</u>
Other financing sources (uses):				
Proceeds from note payable	545,000			545,000
Transfers in	163,353		128,194	291,547
Transfers out	(128,194)	(155,000)	(8,353)	(291,547)
Total other financing sources (uses)	<u>580,159</u>	<u>(155,000)</u>	<u>119,841</u>	<u>545,000</u>
Net change in fund balances	212,629	161,683	63,234	437,546
Fund balances - beginning	<u>1,866,997</u>	<u>500,735</u>	<u>770,175</u>	<u>3,137,907</u>
Fund balances - ending	<u>\$ 2,079,626</u>	<u>\$ 662,418</u>	<u>\$ 833,409</u>	<u>\$ 3,575,453</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1
TOWN OF LITTLETON, 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)	\$ 437,546
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	457,907
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	(120,915)
Proceeds from long-term debt obligations are reported as other financing sources in the governmental funds, but long-term debt issuance increases long-term liabilities in the statement of net position.	(545,000)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	1,074,579
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds, an interest expenditure is reported when due.	5,819
Some expenses reported in the statement of activities, such as other post-employment benefits, and the accrued landfill post-closure obligation, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	105,163
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense reflects the change in the net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which pension expense exceeded pension contributions in the current period.	<u>(338,538)</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 1,076,561</u>

See accompanying notes to the basic financial statements

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

	Private- Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
ASSETS		
Cash and cash equivalents		
Investments	\$ 5,284,537	\$ 765,578
Total Assets	<u>5,284,537</u>	<u>\$ 765,578</u>
DEFERRED OUTFLOWS OF RESOURCES		
Total Deferred Outflows of Resources	<u>-</u>	
LIABILITIES		
Due to developers		\$ 765,578
Total Liabilities	<u>-</u>	<u>\$ 765,578</u>
DEFERRED INFLOWS OF RESOURCES		
Total Deferred Inflows of Resources	<u>-</u>	
NET POSITION		
Held in trust	<u>5,284,537</u>	
Total Net Position	<u>\$ 5,284,537</u>	

See accompanying notes to the basic financial statements

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

	Private- Purpose Trust <u>Funds</u>
ADDITIONS:	
Contributions:	
Private donations	\$ 6,228
Total Contributions	<u>6,228</u>
Investment earnings:	
Investment income	184,799
Net increase in the fair value of investments	<u>192,350</u>
Total Investment Earnings	377,149
Less: Investment expense	<u>(20,982)</u>
Net Investment Gain	<u>356,167</u>
Total Additions	<u>362,395</u>
DEDUCTIONS:	
Benefits	<u>99,650</u>
Total Deductions	<u>99,650</u>
Change in Net Position	262,745
Net Position - beginning	<u>5,021,792</u>
Net Position - ending	<u>\$ 5,284,537</u>

See accompanying notes to the basic financial statements

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

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Littleton, 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 Littleton, New Hampshire (the “Town”) was incorporated in 1784. The Town operates under the Town Meeting/Board of Selectmen form of government and performs local governmental functions as 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.

Governmental Accounting Standards Board Statement No. 14 (as amended by GASB No. 39 and No. 61) requires that all component units for which the Town maintains financial oversight and a financial benefit or burden relationship be included in the financial statements. Oversight responsibility is derived from a number of criteria including financial interdependency, selection of governing authority, designation of management, ability to influence operations and accountability for fiscal matters. The relative importance of each criterion must be evaluated in light of specific circumstances.

Although the decision to include or exclude a component unit is left to the professional judgment of local responsible officials, a positive response to any of the criteria requires that the specific reason for excluding the component unit be disclosed.

Discretely Presented Component Unit

The component unit columns in the government-wide financial statements include the financial data of the Town’s component unit, Littleton Water and Light. The Littleton Water and Light financial data is reported in a separate column to emphasize that they are separate from the Town and to allow financial statement users to distinguish between the primary government and the component unit.

Littleton Water and Light, which was established through special legislation in 1903 and amended in 1949, is included because the Board of Selectmen appoints the Board of Commissioners of Littleton Water and Light, and debt issued by Littleton Water and Light is backed by the full faith and credit of the Town.

Separately issued financial statements of Littleton Water and Light may be obtained by writing to their Board of Commissioners at 65 Lafayette Avenue, Littleton, New Hampshire 03561.

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.

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

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 and its component unit, 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 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 are the Town's major governmental funds:

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

The *Sewer Fund* accounts for all revenues and expenditures pertaining to the Town's wastewater operations.

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

2. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private-purpose trust funds and agency funds. Private-purpose 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 various private-purpose trusts, which account for monies designated to benefit individuals within the Town. The Town's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Town's agency funds account for school district trust funds, which are held by the Town in accordance with State law.

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 and its component unit are included on the Statement of Net Position.

2. Fund Financial Statements:

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

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue 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 fiscal year in which the resources are measurable and become available. Available means that the resources will be collected within the current fiscal year or are expected to be

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

collected soon enough thereafter to be used to pay liabilities of the current fiscal year. For the Town, available means expected to be received within sixty days of fiscal 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 fiscal year for which the taxes are levied (see Note 12). Revenue from grants, entitlements and donations is recognized in the fiscal 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 fiscal 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 fiscal year-end: property taxes, charges for services and interest on investments.

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

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

2. Expenses/Expenditures:

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

Budgetary Data

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

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2016, the Town applied \$200,000 of its fund balance to reduce taxes.

Investments

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

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

Taxes Receivable

Taxes levied during the current fiscal year and prior and uncollected at December 31, 2016 are recorded as receivables net of reserves for estimated uncollectibles and welfare tax liens of \$100,000 and \$7,758, respectively, in the General Fund.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position, but are not reported in the 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 fair values as of the date received. The Town maintains a capitalization threshold of \$10,000. The Town's infrastructure consists of roads, bridges, sidewalks, sewer collection systems, and similar items. Intangible assets of the Town consist of land easements which are reported as non-depreciable capital assets. Works of art of the Town consist of statues and sculptures which are reported as non-depreciable capital assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

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

	<u>Description</u>	<u>Years</u>
	Land improvements	20
	Buildings and improvements	20-30
	Equipment	5-25
	Vehicles	5-15
	Infrastructure	10-50

Accrued Leave Time

Employees earn accrued leave time as they provide services. Provision is made in the annual budget for accrued leave time. Pursuant to Town personnel policy and collective bargaining agreements, employees may accumulate (subject to certain limitations) unused leave time earned. Additionally, employees may request reimbursement (subject to certain limitations) at any point throughout the year.

The entire liability for accrued leave time is reported as an accrued expense on the government-wide and governmental fund financial statements.

Accrued Liabilities and Long-Term Obligations

All payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. General

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

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

Pensions

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

Net Position

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

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

Fund Balance Policy

Under GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Town has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. The components of fund balance are defined as follows:

- ***Nonspendable Fund Balance***: Amounts that are not in a spendable form or are required to be maintained intact.
- ***Restricted Fund Balance***: Amounts that can only be spent for the specific purposes stipulated by external resource providers or enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or in enabling legislation.
- ***Committed Fund Balance***: Amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision making authority (the annual Town Meeting). Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. The governing body's action must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.
- ***Assigned Fund Balance***: Amounts the Town intends to use for a specific purpose. For all governmental funds, other than the General Fund, any remaining positive amounts are to be

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

classified as “Assigned”. The Selectmen expressly delegate the authority to assign amounts to be used for specific purposes to the Town Manager.

- *Unassigned Fund Balance*: Amounts that are not obligated or specifically designated and are available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit balance of another governmental fund is also classified as unassigned.

Spending Prioritizations

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first.

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

Minimum Level of Unassigned Fund Balance

As recommended by the New Hampshire Department of Revenue Administration, the Town will strive to maintain an unassigned fund balance in its General Fund equal to 5-18% of the total annual appropriations of the community (which includes Town, County, and School District).

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—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	\$ 1,094,912
Investments	7,957,350
Statement of Fiduciary Net Position:	
Investments	<u>6,050,115</u>
Total deposits and investments	<u>\$ 15,102,377</u>

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

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

Cash on hand	\$ 4,300
Deposits with financial institutions	1,090,612
Investments	<u>14,007,465</u>
Total deposits and investments	<u>\$ 15,102,377</u>

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

Responsibility for the investments of the Town's Trust Funds is with the Board of Trustees. The Trustees of Trust Funds investment policy employs the prudent person rule as defined by State of New Hampshire RSA 31:25-b. Investments of the library funds are at the discretion of the Library Trustees.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's investment policy for managing interest rate risk requires investments to be made into highly liquid investment vehicles to minimize exposure to interest rate risk.

The Trustees of the Trust Funds investment policy for managing interest rate risk requires a mix of cash, fixed income, and equity investments to be held with a target of 35 percent of funds to be invested in fixed income securities with an average maturity not to exceed 10 years. The Library Trustees have not adopted an investment policy for managing interest rate risk.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Remaining Maturity (in Years)</u>		
		<u>0-1 Years</u>	<u>1-5 Years</u>	<u>> 5 Years</u>
US Treasury Obligations	\$ 450,018		\$ 203,540	\$ 246,478
Government agency bonds	439,625	\$ 130,324	199,956	109,345
Municipal bonds	391,234		376,268	14,966
Corporate bonds	788,128	194,729	368,021	225,378
Bond mutual funds	250,543		96,967	153,576
	<u>\$ 2,319,548</u>	<u>\$ 325,053</u>	<u>\$ 1,244,752</u>	<u>\$ 749,743</u>

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

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town's investment policy for managing credit risk requires that investments be diversified into a mix of cash and investments to avoid over-concentration of assets in a specific maturity.

The Trustees of the Trust Funds investment policy for managing credit risk limits investments to those with a credit rating of at least BBB, and limits amounts invested in a single maturity to no more than ten percent of the total of the fixed income portfolio at the time of purchase, except for U.S. Government and State of New Hampshire obligations, and the obligations of their subdivisions. The Library Trustees have not adopted an investment policy for managing credit risk.

The following are the actual ratings as of year-end for each investment type:

	Investment Type							Totals
	U.S. Treasury Obligations	Government Agency Bonds	Municipal Bonds	Corporate Bonds	Bond Mutual Funds	Mutual Funds	State Investment Pool	
Ratings as of Year End AAA	\$ 450,018	\$ 439,625	\$ 10,237				\$ 3,583,616	\$ 4,483,496
AA			269,548	\$ 134,108				403,656
A			111,449	249,005	\$ 107,171			467,625
BBB				405,015	66,980			471,995
B					19,993			19,993
Not Rated					56,399	\$ 18,797		75,196
Fair Value	<u>\$ 450,018</u>	<u>\$ 439,625</u>	<u>\$ 391,234</u>	<u>\$ 788,128</u>	<u>\$ 250,543</u>	<u>\$ 18,797</u>	<u>\$ 3,583,616</u>	<u>\$ 5,921,961</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's investment policy for assurance against custodial credit risk requires that all investment and depository instruments not covered by federal depository insurance be collateralized.

Of the Town's deposits with financial institutions at year end, \$749,223 was collateralized by securities held by the bank in the bank's name. Additionally, deposits in the amount of \$104,866 were uninsured and uncollateralized as of December 31, 2016.

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

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>
U.S. Treasury Obligations	\$ 450,018
Equity securities	3,833,156
Government agency bonds	439,625
Municipal bonds	391,234
Corporate bonds	788,128
Money market funds	4,252,348
Bond mutual funds	250,543
Mutual funds	18,797
	<u>\$ 10,423,849</u>

Investment in NHPDIP

The Town is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by State law and is administered by a public body of state, local and banking officials. Financial statements for the NHPDIP can be accessed through the NHPDIP's website at www.NHPDIP.com.

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.

Fair Value Measurement of Investments

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

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

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

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

<u>Investment Type</u>	Level 1 <u>Inputs</u>	Level 2 <u>Inputs</u>
U.S. Treasury Obligations		\$ 450,018
Equity securities	\$ 3,833,156	
Government agency bonds		439,625
Municipal bonds		391,234
Corporate bonds		788,128
Bond mutual funds	250,543	
Mutual funds	18,797	
	<u>\$ 4,102,496</u>	<u>\$ 2,069,005</u>

Equity securities and all mutual funds classified as Level 1 are valued using unadjusted quoted prices in active markets for those securities.

US Treasury obligations, US Government agency bonds, municipal bonds, and corporate bonds classified as Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to bench-mark quoted prices.

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

NOTE 3—CAPITAL ASSETS

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

	<u>Balance</u> <u>1/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2016</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 1,772,879			\$ 1,772,879
Easements	466,775			466,775
Works of art	80,957			80,957
Construction in process	227,783	\$ 6,786	\$ (150,018)	84,551
Total capital assets not being depreciated	<u>2,548,394</u>	<u>6,786</u>	<u>(150,018)</u>	<u>2,405,162</u>
Other capital assets:				
Land improvements	5,584,449			5,584,449
Buildings and improvements	13,613,826	100,830		13,714,656
Equipment	3,292,753	173,475	(119,060)	3,347,168
Vehicles	3,058,962		(73,448)	2,985,514
Infrastructure	7,142,978	1,479,935		8,622,913
Total other capital assets at historical cost	<u>32,692,968</u>	<u>1,754,240</u>	<u>(192,508)</u>	<u>34,254,700</u>

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

Less accumulated depreciation for:				
Land improvements	(1,080,871)	(236,996)		(1,317,867)
Buildings and improvements	(9,741,565)	(234,408)		(9,975,973)
Equipment	(2,127,915)	(161,479)	119,060	(2,170,334)
Vehicles	(2,219,621)	(178,903)	73,448	(2,325,076)
Infrastructure	(2,223,993)	(341,315)		(2,565,308)
Total accumulated depreciation	<u>(17,393,965)</u>	<u>(1,153,101)</u>	<u>192,508</u>	<u>(18,354,558)</u>
Total other capital assets, net	<u>15,299,003</u>	<u>601,139</u>	<u>-</u>	<u>15,900,142</u>
Total capital assets, net	<u>\$ 17,847,397</u>	<u>\$ 607,925</u>	<u>\$ (150,018)</u>	<u>\$ 18,305,304</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 149,583
Public safety	202,954
Highways and streets	585,186
Sanitation	176,569
Culture and recreation	<u>38,809</u>
Total governmental activities depreciation expense	<u>\$ 1,153,101</u>

The following is a summary of changes in capital assets of the discretely presented component unit:

	Balance 1/1/2016	Additions	Reductions	Balance 12/31/2016
Discretely presented component unit:				
Capital assets not depreciated:				
Land	\$ 102,482			\$ 102,482
Construction in process	<u>127,431</u>	<u>\$ 106,104</u>	<u>\$ (190,299)</u>	<u>43,236</u>
Total capital assets not being depreciated	<u>229,913</u>	<u>106,104</u>	<u>(190,299)</u>	<u>145,718</u>
Other capital assets:				
Structure and systems	15,029,151	242,378		15,271,529
Equipment	<u>1,794,986</u>	<u>54,746</u>	<u>(137,222)</u>	<u>1,712,510</u>
Total other capital assets at historical cost	<u>16,824,137</u>	<u>297,124</u>	<u>(137,222)</u>	<u>16,984,039</u>
Less accumulated depreciation for:				
Structure, systems, and equipment	<u>(8,843,046)</u>	<u>(396,127)</u>	<u>137,222</u>	<u>(9,101,951)</u>
Total accumulated depreciation	<u>(8,843,046)</u>	<u>(396,127)</u>	<u>137,222</u>	<u>(9,101,951)</u>
Total other capital assets, net	<u>7,981,091</u>	<u>(99,003)</u>	<u>-</u>	<u>7,882,088</u>
Total capital assets, net	<u>\$ 8,211,004</u>	<u>\$ 7,101</u>	<u>\$ (190,299)</u>	<u>\$ 8,027,806</u>

Depreciation expense recognized by the discretely presented component unit for the year ended December 31, 2016 was \$396,127.

NOTE 4—SHORT-TERM OBLIGATIONS

During May 2016, the Town issued a tax anticipation note to assist in the payment of operating expenditures. The borrowing was guaranteed to be repaid from property tax revenue received from the taxpayers within the Town.

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

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

Balance - January 1, 2016	\$ -
Additions	1,500,000
Reductions	<u>(1,500,000)</u>
Balance - December 31, 2016	<u>\$ -</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:

	<u>Balance</u> <u>1/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2016</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Notes payable	\$ 6,396,453	\$ 545,000	\$ (1,074,579)	\$ 5,866,874	\$ 1,060,742
Total governmental activities	<u>\$ 6,396,453</u>	<u>\$ 545,000</u>	<u>\$ (1,074,579)</u>	<u>\$ 5,866,874</u>	<u>\$ 1,060,742</u>

Payments on the notes payable are paid out of the General Fund, Sewer Fund, and Nonmajor Governmental Funds, as applicable to the related debt.

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

	<u>Balance</u> <u>1/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2016</u>	<u>Due Within</u> <u>One Year</u>
Discretely presented component unit:					
Bonds payable	\$ 209,904		\$ (36,131)	\$ 173,773	\$ 36,473
Total component unit	<u>\$ 209,904</u>	<u>\$ -</u>	<u>\$ (36,131)</u>	<u>\$ 173,773</u>	<u>\$ 36,473</u>

Payments on the general obligation bonds of the discretely presented component unit are paid by Littleton Water and Light.

General Obligation Debt

Governmental Activities:

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

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

	<u>Interest</u> <u>Rate</u>	<u>Final</u> <u>Maturity</u> <u>Date</u>	<u>Balance at</u> <u>12/31/2016</u>
Governmental Activities:			
2011 Industrial Park / Sewer Facility	4.06%	01/2022	\$ 214,454
2013 Grove Street Bridge refinancing	2.92%	07/2023	835,266
2013 Main Street Phase I refinancing	1.50%	07/2017	63,902
2013 Opera House refinancing	1.50%	07/2017	63,902
2013 Parking Lot Enhancement	variable	07/2023	144,203
2013 Police station refinancing	2.92%	07/2023	918,793
2013 Redington Street Bridge refinancing	1.50%	07/2017	63,902
2014 General Obligation Note	1.75%	10/2020	1,795,207
2015 Excavator	1.89%	09/2017	27,298
2015 Highway Truck	1.89%	12/2017	26,613
2015 Public Works Garage	2.24%	06/2032	1,300,000
2016 Highway Sidewalk Garage	2.00%	12/2018	26,667
2016 Loader	2.00%	12/2018	86,667
2016 General Obligation Note	2.50%	10/2031	300,000
Total governmental activities			<u>\$ 5,866,874</u>

Variable interest on the 2013 parking lot enhancement note is based on a fixed rate of 1.79% through July 2018, with the rate thereafter equal to 68% of the sum of the Federal Home Loan Bank of Boston 5-year amortization advance rate plus a margin of 2.00%.

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

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 1,060,742	\$ 130,958	\$ 1,191,700
2018	885,609	108,920	994,529
2019	846,668	88,961	935,629
2020	864,350	69,836	934,186
2021	413,913	53,244	467,157
2022-2026	1,150,954	127,215	1,278,169
2027-2031	594,111	40,958	635,069
2032	50,527	330	50,857
	<u>\$ 5,866,874</u>	<u>\$ 620,422</u>	<u>\$ 6,487,296</u>

Discretely Presented Component Unit:

Bond payable for Littleton Water and Light at December 31, 2016 is comprised of the following issue:

	<u>Interest</u> <u>Rate</u>	<u>Final</u> <u>Maturity</u> <u>Date</u>	<u>Balance at</u> <u>12/31/2016</u>
Water filtration project	3.98%	11/2021	<u>\$ 173,773</u>

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

This issue is backed by the full faith and credit of the Town and represents general obligation debt of the Town. The debt will be repaid from the operating revenues of Littleton Water and Light. Accordingly, this general obligation debt is recognized as a liability of Littleton Water and Light, and is not recorded as a long-term obligation of the Town.

Debt service requirements to retire general obligation bonds for the discretely presented component unit at December 31, 2016 are as follows:

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 36,473	\$ 7,851	\$ 44,324
2018	36,529	6,165	42,694
2019	36,084	4,477	40,561
2020	34,616	2,807	37,423
2021	30,071	1,196	31,267
	<u>\$ 173,773</u>	<u>\$ 22,496</u>	<u>\$ 196,269</u>

Interest expense for the year ended December 31, 2016, was \$9,523 for Littleton Water and Light.

NOTE 6—ACCRUED LANDFILL POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. The Town's landfill ceased operations and was closed in 1999. An estimated liability has been recorded based on the future post-closure care costs that will be incurred. The estimated liability for landfill post-closure care costs has a balance of \$67,496 as of December 31, 2016. The estimated total current cost of the landfill post-closure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of December 31, 2016. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The remaining post-closure care costs are expected to be financed through the Town's Landfill Capital Reserve Fund.

The following is a summary of changes in the estimated liability for post-closure care costs for the year ended December 31, 2016:

Balance January 1, 2016	\$ 141,400
Change in estimated liability	(59,930)
Expenditures recognized in the General Fund	<u>(13,974)</u>
Balance December 31, 2016	<u>\$ 67,496</u>

NOTE 7—DEFINED BENEFIT PLAN

Plan Description

The Town contributes to the New Hampshire Retirement System (NHRS), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. The New Hampshire Retirement System is a public employee retirement system that administers a single cost-sharing multiple-

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

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:

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

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

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

Funding Policy

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

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. Contributions to the pension plan for the Town were \$406,643 for the year ended December 31, 2016.

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

At December 31, 2016, the Town reported a liability of \$6,109,281 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 0.1149 percent, which was an increase of 0.0027 percentage points from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Town recognized pension expense of \$745,450. At December 31, 2016, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 16,977	\$ 77,145
Changes of assumptions	751,859	
Net difference between projected and actual earnings on pension plan investments	382,228	
Changes in proportion and differences between Town contributions and proportionate share of contributions	239,310	24,157
Town contributions subsequent to the measurement date	<u>212,192</u>	
Total	<u>\$ 1,602,566</u>	<u>\$ 101,302</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 \$1,501,264. The Town reported \$212,192 as deferred outflows of resources related to pensions resulting from Town contributions

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

subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense in the measurement periods as follows:

Year Ending <u>June 30,</u>	
2017	\$ 282,323
2018	282,323
2019	399,084
2020	309,561
2021	<u>15,781</u>
	<u>\$1,289,072</u>

Actuarial Assumptions

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

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

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

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:

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

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

Discount Rate

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

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	\$ 7,850,010	\$ 6,109,281	\$ 4,665,623

NOTE 8—OTHER POST-EMPLOYMENT BENEFITS

In addition to providing pension benefits, the Town provides medical benefits to its eligible retirees and their spouses. Retirees under the age of 65 have a medical insurance plan with either Blue Choice or an HMO plan. Retirees over the age of 65 are covered by the Medicare supplemental plan. The following groups of retirees qualify for this benefit: Group I employees are required to reach age 60 with no minimum service requirement or any age with 20 years of service and age plus service is at least 70; Group II employees are eligible at age 45 with 20 years of service or at age 60 with no minimum service requirement. Retirees and surviving spouses pay the full cost of the medical premium. As of

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

December 31, 2015, the most recent alternative measurement method actuarial valuation date, approximately 8 retirees and 32 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

Annual OPEB Costs

The Town's annual OPEB expense for the year ended December 31, 2016 is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined using the alternative measurement method in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid, on an ongoing basis, is projected to cover the normal cost each year and amortize the unfunded actuarial liability over a period of thirty years. The Town's annual OPEB cost for the year ending December 31, 2016, including the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on the alternative measurement method valuation is as follows:

Annual Required Contribution (ARC)	\$ 48,096
Interest on net OPEB obligation	2,442
Adjustment to ARC	<u>(6,962)</u>
Annual OPEB cost	43,576
Contributions made	<u>(74,835)</u>
Increase in net OPEB obligation	(31,259)
Net OPEB obligation - beginning of year	<u>244,197</u>
Net OPEB obligation - end of year	<u><u>\$ 212,938</u></u>

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

Fiscal Year	Annual	Percentage of	Net OPEB	Covered
<u>Ending</u>	<u>OPEB Cost</u>	<u>OPEB Cost</u>	<u>Obligation</u>	<u>Payroll</u>
		<u>Contributed</u>		
12/31/2016	\$ 43,576	171.7%	\$ 212,938	\$ 2,437,206
12/31/2015	\$ 42,084	189.3%	\$ 244,197	\$ 2,686,708
12/31/2014	\$ 40,705	157.9%	\$ 281,784	\$ 1,859,860

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

Funded Status and Funding Progress for OPEB

The funded status of the plan as of December 31, 2015, the date of the most recent alternative measurement method valuation is as follows:

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NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2016

Actuarial Accrued Liability (AAL)	\$ 306,800
Actuarial value of plan assets	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 306,800</u>
Funded ratio (actuarial value of plan assets/AAL)	0.0%
Covered payroll (active plan members)	\$ 2,437,206
UAAL as a percentage of covered payroll	12.6%

The alternative measurement method valuation involves estimates of the value of reported amounts and assumptions about the probability of events in the future. The total cost of providing post-employment benefits is projected, taking into account assumptions about current claim cost, turnover, mortality, health care trends, and other key assumptions. Internally generated key assumptions, based on recent trends within the Town, include general considerations, expected point at which benefits begin, and marital and dependency status. Mortality assumptions were derived from the RP2000 Mortality Table for Males and Females Projected 10 years. Turnover assumptions were based on the Standard Turnover Assumptions from GASB No. 45, Paragraph 35b. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Actuarial Methods and Assumptions for OPEB

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

For the December 31, 2015 alternative measurement method valuation, the Entry Age Actuarial Cost Method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The Town employs the Pay-as-you-go basis to fund the plan. The alternative measurement method assumptions included a 1.0% investment rate of return, a 2.0% payroll growth rate based on the Town's historical average of wage growth, and an initial annual healthcare cost trend rate of 8.0%, 3.5% and 3.0% for health and pharmacy, dental, and vision benefits respectively. The annual healthcare cost trends are reduced to ultimate long-term rates after ten years of 4.7%, 3% and 3%, for health and pharmacy, dental, and vision benefits, respectively. The healthcare cost trends were developed consistent with the Getzen model promulgated by the Society of Actuaries for use in long-term trend projections. The amortization costs for the Unfunded Actuarial Accrued Liability (UAAL) is a level percentage of payroll for a period of thirty years on a closed group basis. As of December 31, 2016, the remaining amortization period is 25 years. This has been calculated assuming the amortization payment increases at a rate of 2.0% per year, which represents a level percentage of payroll.

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

NOTE 9—INTERFUND BALANCES AND TRANSFERS

The Town has combined the cash resources of its governmental funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at December 31, 2016 are as follows:

		Due from		
		Nonmajor		
		General	Governmental	
		<u>Fund</u>	<u>Funds</u>	<u>Totals</u>
Due to	General Fund		\$ 182,354	\$ 182,354
	Sewer Fund	\$ 569,082		569,082
	Nonmajor Governmental Funds	50,504		50,504
		<u>\$ 619,586</u>	<u>\$ 182,354</u>	<u>\$ 801,940</u>

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

		Transfer from			
		Nonmajor			
		General	Sewer	Governmental	
		<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Totals</u>
Transfer to	General Fund		\$ 155,000	\$ 8,353	\$ 163,353
	Nonmajor Governmental Funds	\$ 128,194			128,194
		<u>\$ 128,194</u>	<u>\$ 155,000</u>	<u>\$ 8,353</u>	<u>\$ 291,547</u>

NOTE 10—RESTRICTED NET POSITION

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

Permanent funds - Principal	\$ 676,167
Permanent funds - Income	44,631
Library	885,769
Opera house	709
Drug forfeiture funds	1,436
Miscellaneous grants	13,788
	<u>\$ 1,622,500</u>

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

NOTE 11—COMPONENTS OF FUND BALANCE

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

<u>Fund Balances</u>	<u>General Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i>Nonspendable:</i>				
Prepaid expenses	\$ 12,444			\$ 12,444
Tax dedeed property	68,175			68,175
Permanent Funds - Principal			\$ 676,167	676,167
<i>Restricted for:</i>				
Library	885,769			885,769
Opera House	709			709
Permanent Funds - Income			44,631	44,631
Drug Forfeiture Fund			1,436	1,436
Miscellaneous Grants Fund			13,788	13,788
<i>Committed for:</i>				
Non-lapsing appropriations	713,750			713,750
Expendable Trust Funds	265,201			265,201
Parks and recreation	67,374			67,374
Opera House	9,318			9,318
Wastewater collection		\$ 662,418		662,418
Conservation Fund			43,888	43,888
Transfer Station Fund			28,133	28,133
Parking Meter Fund			23,049	23,049
Public Special Detail Fund			2,317	2,317
<i>Assigned for:</i>				
Designated for subsequent year appropriations	210			210
Encumbrances	37,700			37,700
<i>Unassigned:</i>				
Unassigned - General operations	18,976			18,976
	<u>\$ 2,079,626</u>	<u>\$ 662,418</u>	<u>\$ 833,409</u>	<u>\$ 3,575,453</u>

NOTE 12—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$721,634,410 as of April 1, 2016) and are due in two installments on July 6, 2016 and December 12, 2016. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year-end).

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

In accordance with State law, the Town collects taxes for the Littleton School District and Grafton County, both independent governmental units, which are remitted to them as required by law. The Town

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

also collects State of New Hampshire Education taxes, which are remitted directly to the School District. Total taxes appropriated during the year were \$10,806,973 and \$1,100,340 for the Littleton School District and Grafton County, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes. At December 31, 2016, the balance of the property tax appropriation due to the Littleton School District is \$5,337,573 and has been reported in the General Fund as 'Due to other governments' in these financial statements.

NOTE 13—RISK MANAGEMENT

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

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

Property and Liability Insurance

The Trust provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the Town shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$200,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$1,000,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

Worker's Compensation

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

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

NOTE 14—CONTINGENCIES

Litigation

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

Federal Grants

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

NOTE 15—SUBSEQUENT EVENTS

Note payable

The Town authorized the issuance of notes payable up to \$900,000 at its 2016 annual town meeting. During the year ended December 31, 2016, the Town issued \$300,000 of notes payable in accordance with this authorization. In May of 2017, the Town issued the remaining \$600,000 of notes payable in accordance with this authorization. The terms of the note call for monthly payments of interest only, at a rate of 2.5%, through December of 2017. Payments thereafter shall be at \$6,419 per month, representing principal and interest, through October of 2031.

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

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 6,140,275	\$ 6,140,275	\$ 5,695,086	\$ (445,189)
Licenses and permits	1,120,255	1,120,255	1,232,082	111,827
Intergovernmental	483,446	483,446	519,803	36,357
Charges for services	800	800	1,051	251
Investment income	5,000	5,000	5,312	312
Miscellaneous	76,000	76,000	78,051	2,051
Total Revenues	<u>7,825,776</u>	<u>7,825,776</u>	<u>7,531,385</u>	<u>(294,391)</u>
Expenditures:				
Current operations:				
General government	1,396,928	1,396,928	1,435,019	(38,091)
Public safety	2,855,139	2,855,139	2,662,560	192,579
Highways and streets	1,166,129	1,166,129	1,203,760	(37,631)
Health and welfare	106,495	106,495	104,873	1,622
Culture and recreation	1,200	1,200	-	1,200
Conservation	2,606	2,606	2,396	210
Capital outlay	1,979,104	665,354	685,312	(19,958)
Debt service:				
Principal retirement	992,851	992,851	992,659	192
Interest and fiscal charges	140,736	140,736	138,023	2,713
Total Expenditures	<u>8,641,188</u>	<u>7,327,438</u>	<u>7,224,602</u>	<u>102,836</u>
Excess of revenues over (under) expenditures	<u>(815,412)</u>	<u>498,338</u>	<u>306,783</u>	<u>(191,555)</u>
Other financing sources (uses):				
Proceeds from note payable	975,000	375,000	375,000	-
Transfers in	175,420	175,420	157,849	(17,571)
Transfers out	(812,775)	(812,775)	(812,776)	(1)
Total other financing sources (uses)	<u>337,645</u>	<u>(262,355)</u>	<u>(279,927)</u>	<u>(17,572)</u>
Net change in fund balance	(477,767)	235,983	26,856	(209,127)
Fund balances - beginning				
- Budgetary Basis	<u>1,279,301</u>	<u>1,279,301</u>	<u>1,279,301</u>	<u>-</u>
Fund balances - ending				
- Budgetary Basis	<u>\$ 801,534</u>	<u>\$ 1,515,284</u>	<u>\$ 1,306,157</u>	<u>\$ (209,127)</u>

See accompanying notes to the required supplementary information

SCHEDULE 2
TOWN OF LITTLETON, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - Sewer Fund
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Intergovernmental	\$ 17,420	\$ 17,420	\$ 98,389	\$ 80,969
Charges for services	764,576	764,576	989,696	225,120
Investment income			443	443
Miscellaneous	500	500		(500)
Total Revenues	<u>782,496</u>	<u>782,496</u>	<u>1,088,528</u>	<u>306,032</u>
Expenditures:				
Current operations:				
Sanitation	757,053	757,053	730,951	26,102
Debt service:				
Principal retirement	6,098	6,098	6,098	-
Interest and fiscal charges	1,425	1,425	1,425	-
Total Expenditures	<u>764,576</u>	<u>764,576</u>	<u>738,474</u>	<u>26,102</u>
Excess revenues over expenditures	<u>17,920</u>	<u>17,920</u>	<u>350,054</u>	<u>332,134</u>
Other financing uses:				
Transfers out	(155,500)	(155,500)	(155,000)	500
Total other financing uses	<u>(155,500)</u>	<u>(155,500)</u>	<u>(155,000)</u>	<u>500</u>
Net change in fund balance	(137,580)	(137,580)	195,054	332,634
Fund balance at beginning of year				
- Budgetary Basis	<u>467,364</u>	<u>467,364</u>	<u>467,364</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 329,784</u>	<u>\$ 329,784</u>	<u>\$ 662,418</u>	<u>\$ 332,634</u>

See accompanying notes to the required supplementary information

SCHEDULE 3
TOWN OF LITTLETON, NEW HAMPSHIRE
Schedule of Funding Progress for Other Post-Employment Benefits
For the Year Ended December 31, 2016

Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Actuarial Accrued <u>Liability (AAL)</u>	Unfunded AAL <u>(UAAL)</u>	Funded <u>Ratio</u>	Covered <u>Payroll</u>	UAAL as a Percentage of Covered <u>Payroll</u>
12/31/2015	-	\$ 306,800	\$ 306,800	0%	\$ 2,437,206	12.59%
12/31/2014	-	\$ 306,800	\$ 306,800	0%	\$ 2,686,708	11.42%
12/31/2013	-	\$ 430,990	\$ 430,990	0%	\$ 1,859,860	23.17%

See accompanying notes to the required supplementary information

SCHEDULE 4

TOWN OF LITTLETON, NEW HAMPSHIRE

**Schedule of Changes in the Town's Proportionate Share of the Net Pension Liability
For the Year Ended December 31, 2016**

	<u>For the Measurement Period Ended June 30:</u>			
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Town's proportion of the net pension liability (asset)	0.1149%	0.1122%	0.1128%	0.1057%
Town's proportionate share of the net pension liability (asset)	\$ 6,109,281	\$ 4,445,991	\$ 4,232,780	\$ 4,550,498
Town's covered payroll	\$ 2,410,233	\$ 2,297,442	\$ 2,252,572	\$ 2,072,701
Town's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	253.47%	193.52%	187.91%	219.54%
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 5
TOWN OF LITTLETON, 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	\$ 406,643	\$ 383,760	\$ 391,988	\$ 314,088
Contributions in relation to the contractually required contribution	<u>(406,643)</u>	<u>(383,760)</u>	<u>(391,988)</u>	<u>(314,088)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 2,402,392	\$ 2,286,521	\$ 2,396,092	\$ 2,152,222
Contributions as a percentage of covered-employee payroll	16.93%	16.78%	16.36%	14.59%

See accompanying notes to the required supplementary information

TOWN OF LITTLETON, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended 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).

General Fund

Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Budgetary revenues and other financing sources and expenditures and other financing uses were adjusted for non-budgetary revenues and expenditures, non-budgetary transfers in and out, non-budgetary note proceeds, budgetary transfers in and out, and encumbrances as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 8,558,262	\$ 8,345,633
Difference in property taxes meeting susceptible to accrual criteria	(120,915)	
Non-budgetary revenues and expenditures	(197,609)	(794,798)
Non-budgetary transfers in and out	(8,100)	
Non-budgetary note proceeds	(170,000)	(170,000)
Budgetary transfers in and out	2,596	684,582
Encumbrances - December 31, 2016		37,700
Encumbrances - December 31, 2015		(65,739)
Per Schedule 1	<u>\$ 8,064,234</u>	<u>\$ 8,037,378</u>

Sewer Fund

Budgetary expenditures were adjusted for encumbrances as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 1,088,528	\$ 926,845
Encumbrances - December 31, 2015		(33,371)
Per Schedule 2	<u>\$ 1,088,528</u>	<u>\$ 893,474</u>

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

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	\$ 12,444
Tax deeded property	68,175
<i>Committed for:</i>	
Non-lapsing appropriations	713,750
<i>Assigned for:</i>	
Designated for subsequent year appropriations	210
<i>Unassigned:</i>	
Unassigned - General Operations	511,578
	<u>\$ 1,306,157</u>

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

In accordance with GASB Statement #45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, the Town has disclosed the schedule of funding progress for each of the three most recent actuarial valuations.

NOTE 4—SCHEDULE OF CHANGES IN THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF TOWN CONTRIBUTIONS

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

Changes 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 LITTLETON, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2016

	Special Revenue Funds	Permanent Funds	Combining Totals
ASSETS			
Cash and cash equivalents	\$ 5,558		\$ 5,558
Investments	43,993	\$ 717,593	761,586
Accounts receivable	22,129		22,129
Due from other governments	217,399		217,399
Due from other funds	47,299	3,205	50,504
Total Assets	<u>336,378</u>	<u>720,798</u>	<u>1,057,176</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 336,378</u>	<u>\$ 720,798</u>	<u>\$ 1,057,176</u>
LIABILITIES			
Accounts payable	\$ 20,117		\$ 20,117
Accrued expenses	13,884		13,884
Advances from grantors	7,412		7,412
Due to other funds	182,354		182,354
Total Liabilities	<u>223,767</u>	<u>\$ -</u>	<u>223,767</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable		676,167	676,167
Restricted	15,224	44,631	59,855
Committed	97,387		97,387
Total Fund Balances	<u>112,611</u>	<u>720,798</u>	<u>833,409</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 336,378</u>	<u>\$ 720,798</u>	<u>\$ 1,057,176</u>

SCHEDULE A-1

TOWN OF LITTLETON, NEW HAMPSHIRE

Combining Balance Sheet

Governmental Funds - All Nonmajor Special Revenue Funds

December 31, 2016

	Conservation Fund	Drug Forfeiture Fund	Transfer Station Fund	Parking Meter Fund	Police Special Detail Fund	Grants Fund	Combining Totals
ASSETS							
Cash and cash equivalents				\$ 5,558			\$ 5,558
Investments	\$ 43,888				\$ 105		43,993
Accounts receivable			\$ 20,093		2,036		22,129
Due from other governments						\$ 217,399	217,399
Due from other funds		\$ 1,436	27,722	17,965	176		47,299
Total Assets	<u>43,888</u>	<u>1,436</u>	<u>47,815</u>	<u>23,523</u>	<u>2,317</u>	<u>217,399</u>	<u>336,378</u>
DEFERRED OUTFLOWS OF RESOURCES							
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 43,888</u>	<u>\$ 1,436</u>	<u>\$ 47,815</u>	<u>\$ 23,523</u>	<u>\$ 2,317</u>	<u>\$ 217,399</u>	<u>\$ 336,378</u>
LIABILITIES							
Accounts payable			\$ 6,235	\$ 37		\$ 13,845	\$ 20,117
Accrued expenses			13,447	437			13,884
Advances from grantors						7,412	7,412
Due to other funds						182,354	182,354
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>19,682</u>	<u>474</u>	<u>\$ -</u>	<u>203,611</u>	<u>223,767</u>
DEFERRED INFLOWS OF RESOURCES							
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Restricted		1,436				13,788	15,224
Committed	43,888		28,133	23,049	2,317		97,387
Total Fund Balances	<u>43,888</u>	<u>1,436</u>	<u>28,133</u>	<u>23,049</u>	<u>2,317</u>	<u>13,788</u>	<u>112,611</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 43,888</u>	<u>\$ 1,436</u>	<u>\$ 47,815</u>	<u>\$ 23,523</u>	<u>\$ 2,317</u>	<u>\$ 217,399</u>	<u>\$ 336,378</u>

SCHEDULE B
TOWN OF LITTLETON, 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>	Capital Projects <u>Fund</u>	Combining <u>Totals</u>
Revenues:				
Licenses and permits	\$ 61,066			\$ 61,066
Intergovernmental	610,092			610,092
Charges for services	347,561			347,561
Investment income	17,927	\$ 37,669	\$ 1	55,597
Miscellaneous	17,102			17,102
Total Revenues	<u>1,053,748</u>	<u>37,669</u>	<u>1</u>	<u>1,091,418</u>
Expenditures:				
Current operations:				
General government	16,439	5,180		21,619
Public safety	98,741			98,741
Highways and streets	610,300			610,300
Sanitation	377,373			377,373
Capital outlay	17,982			17,982
Debt service:				
Principal retirement	19,156			19,156
Interest and fiscal charges	2,854			2,854
Total Expenditures	<u>1,142,845</u>	<u>5,180</u>	<u>-</u>	<u>1,148,025</u>
Excess of revenues over (under) expenditures	<u>(89,097)</u>	<u>32,489</u>	<u>1</u>	<u>(56,607)</u>
Other financing sources (uses):				
Transfers in	128,194			128,194
Transfers out	(8,100)		(253)	(8,353)
Total other financing sources (uses)	<u>120,094</u>	<u>-</u>	<u>(253)</u>	<u>119,841</u>
Net change in fund balances	30,997	32,489	(252)	63,234
Fund balances - beginning	<u>81,614</u>	<u>688,309</u>	<u>252</u>	<u>770,175</u>
Fund balances - ending	<u>\$ 112,611</u>	<u>\$ 720,798</u>	<u>\$ -</u>	<u>\$ 833,409</u>

SCHEDULE B-1
TOWN OF LITTLETON, 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

	Conservation Fund	Drug Forfeiture Fund	Transfer Station Fund	Parking Meter Fund	Police Special Detail Fund	Grants Fund	Combining Totals
Revenues:							
Licenses and permits				\$ 61,066			\$ 61,066
Intergovernmental						\$ 610,092	610,092
Charges for services			\$ 290,984		\$ 56,577		347,561
Investment income	\$ 17,881	\$ 5	9	21	11		17,927
Miscellaneous						17,102	17,102
Total Revenues	<u>17,881</u>	<u>5</u>	<u>290,993</u>	<u>61,087</u>	<u>56,588</u>	<u>627,194</u>	<u>1,053,748</u>
Expenditures:							
Current operations:							
General government						16,439	16,439
Public safety		153		38,287	60,301		98,741
Highways and streets						610,300	610,300
Sanitation			377,373				377,373
Capital outlay			17,982				17,982
Debt service:							
Principal retirement				19,156			19,156
Interest and fiscal charges				2,854			2,854
Total Expenditures	<u>-</u>	<u>153</u>	<u>395,355</u>	<u>60,297</u>	<u>60,301</u>	<u>626,739</u>	<u>1,142,845</u>
Excess of revenues over (under) expenditures	<u>17,881</u>	<u>(148)</u>	<u>(104,362)</u>	<u>790</u>	<u>(3,713)</u>	<u>455</u>	<u>(89,097)</u>
Other financing sources (uses):							
Transfers in			128,194				128,194
Transfers out	(8,100)						(8,100)
Total other financing sources (uses)	<u>(8,100)</u>	<u>-</u>	<u>128,194</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>120,094</u>
Net change in fund balances	9,781	(148)	23,832	790	(3,713)	455	30,997
Fund balances - beginning	<u>34,107</u>	<u>1,584</u>	<u>4,301</u>	<u>22,259</u>	<u>6,030</u>	<u>13,333</u>	<u>81,614</u>
Fund balances - ending	<u>\$ 43,888</u>	<u>\$ 1,436</u>	<u>\$ 28,133</u>	<u>\$ 23,049</u>	<u>\$ 2,317</u>	<u>\$ 13,788</u>	<u>\$ 112,611</u>