

TOWN OF MILFORD, NEW HAMPSHIRE

Financial Statements

December 31, 2016

and

Independent Auditor's Report

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

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Milford, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Milford, 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 and the standards applicable to financial audits contained in the *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Basis for Adverse Opinion on Governmental Activities

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

Adverse Opinion

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

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Milford, New Hampshire, as of December 31, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, the schedule of changes in the Town’s proportionate share of the net pension liability, and the schedule of Town contributions on pages 36-40 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.

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Milford, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 17, 2018 on our consideration of the Town of Milford, New Hampshire's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town of Milford, New Hampshire's internal control over financial reporting and compliance.

Vachon Clutay & Company PC

Manchester, New Hampshire
July 17, 2018

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

	Governmental Activities	Business-type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 15,407,833	\$ 1,191,720	\$ 16,599,553
Investments	2,588,985		2,588,985
Taxes receivable, net	1,897,338		1,897,338
Accounts receivable, net	304,127	271,056	575,183
Unbilled charges for services		437,534	437,534
Due from other governments	754,479	34,051	788,530
Internal balances	862,534	(862,534)	-
Prepaid expenses	151,855		151,855
Inventory		86,863	86,863
Total Current Assets	<u>21,967,151</u>	<u>1,158,690</u>	<u>23,125,841</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets	15,574,988	1,421,005	16,995,993
Depreciable capital assets, net	13,899,792	21,649,308	35,549,100
Total Noncurrent Assets	<u>29,474,780</u>	<u>23,070,313</u>	<u>52,545,093</u>
Total Assets	<u>51,441,931</u>	<u>24,229,003</u>	<u>75,670,934</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	<u>2,913,968</u>	<u>264,602</u>	<u>3,178,570</u>
Total Deferred Outflows of Resources	<u>2,913,968</u>	<u>264,602</u>	<u>3,178,570</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	721,029	94,372	815,401
Accrued expenses	229,628	55,124	284,752
Retainage payable		20,374	20,374
Due to other governments	13,560,442		13,560,442
Advances from grantors	129,233		129,233
Deposits	18,863	355	19,218
Current portion of bonds payable	305,000	183,439	488,439
Current portion of notes payable	110,700	148,981	259,681
Current portion of capital leases payable	331,513		331,513
Total Current Liabilities	<u>15,406,408</u>	<u>502,645</u>	<u>15,909,053</u>
Noncurrent Liabilities:			
Bonds payable	1,910,000	1,700,556	3,610,556
Notes payable	1,750,550	1,266,338	3,016,888
Capital leases payable	620,931		620,931
Compensated absences payable	268,316	45,708	314,024
Net pension liability	12,025,854	1,092,000	13,117,854
Total Noncurrent Liabilities	<u>16,575,651</u>	<u>4,104,602</u>	<u>20,680,253</u>
Total Liabilities	<u>31,982,059</u>	<u>4,607,247</u>	<u>36,589,306</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes collected in advance	8,958		8,958
Deferred inflows of resources related to pensions	151,857	13,789	165,646
Total Deferred Inflows of Resources	<u>160,815</u>	<u>13,789</u>	<u>174,604</u>
NET POSITION			
Net investment in capital assets	24,481,086	19,750,625	44,231,711
Restricted	1,742,506		1,742,506
Unrestricted (deficit)	<u>(4,010,567)</u>	<u>121,944</u>	<u>(3,888,623)</u>
Total Net Position	<u>\$ 22,213,025</u>	<u>\$ 19,872,569</u>	<u>\$ 42,085,594</u>

See accompanying notes to the basic financial statements

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

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 5,704,718	\$ 43,214	\$ 377		\$ (5,661,127)		\$ (5,661,127)
Public safety	5,073,425	1,145,342	82,451		(3,845,632)		(3,845,632)
Highways and streets	2,064,775		325,011	\$ 955,850	(783,914)		(783,914)
Health and welfare	225,788	5,573			(220,215)		(220,215)
Sanitation	699,226	80,429			(618,797)		(618,797)
Culture and recreation	1,471,802	109,418	253,088		(1,109,296)		(1,109,296)
Conservation	35,880		14,629		(21,251)		(21,251)
Interest and fiscal charges	181,003				(181,003)		(181,003)
Total governmental activities	<u>15,456,617</u>	<u>1,383,976</u>	<u>675,556</u>	<u>955,850</u>	<u>(12,441,235)</u>	<u>\$ -</u>	<u>(12,441,235)</u>
Business-type activities:							
Water Department	1,376,406	1,522,073				145,667	145,667
Sewer Department	2,353,221	2,012,431				(340,790)	(340,790)
Total business-type activities	<u>3,729,627</u>	<u>3,534,504</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(195,123)</u>	<u>(195,123)</u>
Total primary government	<u>\$ 19,186,244</u>	<u>\$ 4,918,480</u>	<u>\$ 675,556</u>	<u>\$ 955,850</u>	<u>(12,441,235)</u>	<u>(195,123)</u>	<u>(12,636,358)</u>
General revenues:							
Property and other taxes					9,407,316		9,407,316
Licenses and permits					3,033,825		3,033,825
Grants and contributions:							
Rooms and meals tax distribution					786,605		786,605
Railroad tax					1,748		1,748
State and federal forest land					1,693		1,693
Interest and investment earnings					153,980	899	154,879
Miscellaneous					436,323	121	436,444
Transfers					(7,420)	7,420	-
Total general revenues and transfers					<u>13,814,070</u>	<u>8,440</u>	<u>13,822,510</u>
Change in net position					1,372,835	(186,683)	1,186,152
Net Position at beginning of year					20,840,190	20,059,252	40,899,442
Net Position at end of year					<u>\$ 22,213,025</u>	<u>\$ 19,872,569</u>	<u>\$ 42,085,594</u>

See accompanying notes to the basic financial statements

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

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and cash equivalents	\$ 15,407,833		\$ 15,407,833
Investments	975,429	\$ 1,613,556	2,588,985
Taxes receivable, net	1,897,338		1,897,338
Accounts receivable, net	209,601	94,526	304,127
Due from other governments		754,479	754,479
Due from other funds	1,721,316	408,264	2,129,580
Prepaid expenses	151,855		151,855
Total Assets	<u>20,363,372</u>	<u>2,870,825</u>	<u>23,234,197</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 20,363,372</u>	<u>\$ 2,870,825</u>	<u>\$ 23,234,197</u>
LIABILITIES			
Accounts payable	\$ 673,208	\$ 47,821	\$ 721,029
Accrued expenses	185,565	361	185,926
Due to other governments	13,555,442	5,000	13,560,442
Advances from grantors		129,233	129,233
Due to other funds	558,062	708,984	1,267,046
Deposits	18,863		18,863
Total Liabilities	<u>14,991,140</u>	<u>891,399</u>	<u>15,882,539</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes collected in advance	8,958		8,958
Uncollected property taxes	1,442,064		1,442,064
Total Deferred Inflows of Resources	<u>1,451,022</u>	<u>-</u>	<u>1,451,022</u>
FUND BALANCES			
Nonspendable	151,855	1,542,587	1,694,442
Restricted	139,655	60,264	199,919
Committed	2,040,329	376,575	2,416,904
Assigned	158,734		158,734
Unassigned	1,430,637		1,430,637
Total Fund Balances	<u>3,921,210</u>	<u>1,979,426</u>	<u>5,900,636</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 20,363,372</u>	<u>\$ 2,870,825</u>	<u>\$ 23,234,197</u>

See accompanying notes to the basic financial statements

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

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 5,900,636
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	29,474,780
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis	1,442,064
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	2,913,968
Deferred inflows of resources attributable to net pension liability	(151,857)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
Bonds payable	(2,215,000)
Note payable	(1,861,250)
Capital leases payable	(952,444)
Accrued interest on long-term obligations	(43,702)
Compensated absences payable	(268,316)
Net pension liability	<u>(12,025,854)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 22,213,025</u>

See accompanying notes to the basic financial statements

EXHIBIT D

TOWN OF MILFORD, NEW HAMPSHIRE

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended December 31, 2016

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Taxes	\$ 9,346,978		\$ 9,346,978
Licenses and permits	2,861,574	\$ 172,251	3,033,825
Intergovernmental	1,202,735	1,136,166	2,338,901
Charges for services	910,661	473,315	1,383,976
Investment income	70,332	83,648	153,980
Miscellaneous	333,544	186,730	520,274
Total Revenues	<u>14,725,824</u>	<u>2,052,110</u>	<u>16,777,934</u>
Expenditures:			
Current operations:			
General government	4,807,062	131,206	4,938,268
Public safety	4,340,530	420,927	4,761,457
Highways and streets	1,548,079		1,548,079
Health and welfare	225,643	202	225,845
Sanitation	694,421		694,421
Culture and recreation	1,108,839	97,799	1,206,638
Conservation	35,145		35,145
Capital outlay		1,457,115	1,457,115
Debt service:			
Principal retirement	761,704		761,704
Interest and fiscal charges	189,189		189,189
Total Expenditures	<u>13,710,612</u>	<u>2,107,249</u>	<u>15,817,861</u>
Excess of revenues over (under) expenditures	<u>1,015,212</u>	<u>(55,139)</u>	<u>960,073</u>
Other financing sources (uses):			
Transfers in	147,215	363,170	510,385
Transfers out	<u>(334,119)</u>	<u>(183,686)</u>	<u>(517,805)</u>
Total other financing sources (uses)	<u>(186,904)</u>	<u>179,484</u>	<u>(7,420)</u>
Net change in fund balances	828,308	124,345	952,653
Fund balances at beginning of year	<u>3,092,902</u>	<u>1,855,081</u>	<u>4,947,983</u>
Fund balances at end of year	<u>\$ 3,921,210</u>	<u>\$ 1,979,426</u>	<u>\$ 5,900,636</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1
TOWN OF MILFORD, 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)	\$ 952,653
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.	199,940
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the net gain from disposed capital assets reduced by the actual proceeds received from the sale.	(1,301)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	60,338
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.	761,704
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds, an interest expenditure is reported when due.	8,186
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	1,760
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>(610,445)</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 1,372,835</u>

See accompanying notes to the basic financial statements

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

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 659,923	\$ 531,797	\$ 1,191,720
Accounts receivable	100,055	171,001	271,056
Unbilled charges for services	194,257	243,277	437,534
Due from other governments		34,051	34,051
Due from other funds	307,755		307,755
Inventory	34,748	52,115	86,863
Total Current Assets	<u>1,296,738</u>	<u>1,032,241</u>	<u>2,328,979</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets	308,900	1,112,105	1,421,005
Depreciable capital assets, net	9,069,638	12,579,670	21,649,308
Total Noncurrent Assets	<u>9,378,538</u>	<u>13,691,775</u>	<u>23,070,313</u>
Total Assets	<u>10,675,276</u>	<u>14,724,016</u>	<u>25,399,292</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	77,810	186,792	264,602
Total Deferred Outflows of Resources	<u>77,810</u>	<u>186,792</u>	<u>264,602</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	21,619	72,753	94,372
Accrued expenses	36,356	18,768	55,124
Retainage payable	2,002	18,372	20,374
Due to other funds		1,170,289	1,170,289
Deposits	140	215	355
Current portion of bonds payable	138,161	45,278	183,439
Current portion of notes payable	121,981	27,000	148,981
Total Current Liabilities	<u>320,259</u>	<u>1,352,675</u>	<u>1,672,934</u>
Noncurrent Liabilities:			
Bonds payable	1,111,393	589,163	1,700,556
Notes payable	1,036,838	229,500	1,266,338
Compensated absences payable	9,075	36,633	45,708
Net pension liability	321,117	770,883	1,092,000
Total Noncurrent Liabilities	<u>2,478,423</u>	<u>1,626,179</u>	<u>4,104,602</u>
Total Liabilities	<u>2,798,682</u>	<u>2,978,854</u>	<u>5,777,536</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows of resources related to pensions	4,055	9,734	13,789
Total Deferred Inflows of Resources	<u>4,055</u>	<u>9,734</u>	<u>13,789</u>
NET POSITION			
Net investment in capital assets	6,968,163	12,782,462	19,750,625
Unrestricted (deficit)	982,186	(860,242)	121,944
Total Net Position	<u>\$ 7,950,349</u>	<u>\$ 11,922,220</u>	<u>\$ 19,872,569</u>

See accompanying notes to the basic financial statements

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

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 1,522,073	\$ 2,012,431	\$ 3,534,504
Miscellaneous		121	121
Total operating revenues	<u>1,522,073</u>	<u>2,012,552</u>	<u>3,534,625</u>
Operating expenses:			
Personnel services	315,558	789,988	1,105,546
Contractual services	503,761	551,223	1,054,984
Materials and supplies	122,879	305,316	428,195
Miscellaneous expenses	37,820	20,248	58,068
Depreciation	311,567	657,793	969,360
Total operating expenses	<u>1,291,585</u>	<u>2,324,568</u>	<u>3,616,153</u>
Operating income (loss)	<u>230,488</u>	<u>(312,016)</u>	<u>(81,528)</u>
Non-operating revenues (expenses):			
Interest income	852	47	899
Interest expense	<u>(84,821)</u>	<u>(28,653)</u>	<u>(113,474)</u>
Net non-operating revenues (expenses)	<u>(83,969)</u>	<u>(28,606)</u>	<u>(112,575)</u>
Income (Loss) before capital contributions and transfers	146,519	(340,622)	(194,103)
Transfers in		<u>7,420</u>	<u>7,420</u>
Change in net position	146,519	(333,202)	(186,683)
Net Position at beginning of year	<u>7,803,830</u>	<u>12,255,422</u>	<u>20,059,252</u>
Net Position at end of year	<u>\$ 7,950,349</u>	<u>\$ 11,922,220</u>	<u>\$ 19,872,569</u>

See accompanying notes to the basic financial statements

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

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 1,526,119	\$ 2,011,657	\$ 3,537,776
Cash paid to suppliers	(665,725)	(830,025)	(1,495,750)
Cash paid to employees	(338,433)	(796,708)	(1,135,141)
Net cash provided by operating activities	<u>521,961</u>	<u>384,924</u>	<u>906,885</u>
Cash flows from noncapital financing activities:			
Transfers from other funds		7,420	7,420
Net cash provided for noncapital financing activities	<u>-</u>	<u>7,420</u>	<u>7,420</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(247,595)	(1,103,662)	(1,351,257)
Principal paid on long-term debt	(239,146)	(58,778)	(297,924)
Interest paid on long-term debt	(72,828)	(26,415)	(99,243)
Net cash used for capital and related financing activities	<u>(559,569)</u>	<u>(1,188,855)</u>	<u>(1,748,424)</u>
Cash flows from investing activities:			
Interest on investments	852	47	899
Net cash provided by investing activities	<u>852</u>	<u>47</u>	<u>899</u>
Net decrease in cash and cash equivalents	(36,756)	(796,464)	(833,220)
Cash and cash equivalents at beginning of year	1,004,434	157,972	1,162,406
Cash and cash equivalents at end of year	<u>\$ 967,678</u>	<u>\$ (638,492)</u>	<u>\$ 329,186</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 230,488	\$ (312,016)	\$ (81,528)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	311,567	657,793	969,360
Change in deferred outflows related to pensions	(62,332)	(152,615)	(214,947)
Change in deferred inflows related to pensions	(8,232)	(17,395)	(25,627)
Changes in assets and liabilities:			
Accounts receivable	(6,038)	(12,170)	(18,208)
Unbilled charges for services	9,944	30,248	40,192
Due from other governments		(18,973)	(18,973)
Inventory	(3,215)	(9,586)	(12,801)
Accounts payable	(4,072)	24,653	20,581
Accrued expenses	(302)	2,322	2,020
Deposits	140	38	178
Compensated absences payable	(1,559)	4,398	2,839
Net pension liability	55,572	188,227	243,799
Net cash provided by operating activities	<u>\$ 521,961</u>	<u>\$ 384,924</u>	<u>\$ 906,885</u>
Noncash transactions affecting financial position:			
Capital asset additions included in year end liabilities	<u>\$ 2,002</u>	<u>\$ 18,372</u>	<u>\$ 20,374</u>

See accompanying notes to the basic financial statements

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

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 72,981
Investments	<u>3,949,543</u>
Total Assets	<u>\$ 4,022,524</u>
LIABILITIES	
Due to other governments	\$ 3,949,543
Due to developers	<u>72,981</u>
Total Liabilities	<u>\$ 4,022,524</u>

See accompanying notes to the basic financial statements

TOWN OF MILFORD, 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 Milford, 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 Milford, New Hampshire (the Town) was incorporated in 1794. 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. The Town has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

Basis of Presentation

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

1. Government-Wide Financial Statements:

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

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

2. Fund Financial Statements:

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

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

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 three categories of funds: governmental, proprietary and fiduciary.

1. Governmental Funds:

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

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

2. Proprietary Funds:

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

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

3. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is comprised solely of agency funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Town's agency funds consist of capital reserve and private trust funds of the Milford School District, which are held by the Town as required by State law. Other agency funds consist of developer's escrow and performance deposits.

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

Measurement Focus

1. Government-Wide Financial Statements:

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

2. Fund Financial Statements:

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

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

Basis of Accounting

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

1. Revenues – Exchange and Non-Exchange Transactions:

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

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 11). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been

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

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

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

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

Grants and entitlements received before the eligibility requirements are met are recorded as advances from grantors. On governmental fund financial statements, taxes receivable 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 did not apply any of its unappropriated fund balance to reduce taxes.

Cash and Cash Equivalents

The Town pools its cash resources for its governmental and proprietary funds. Cash applicable to a particular fund is reflected as an interfund balance. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of the following:

	Water Fund	Sewer Fund	Totals
Cash and cash equivalents	\$ 659,923	\$ 531,797	\$ 1,191,720
Due from / (to) other funds	307,755	(1,170,289)	(862,534)
Total cash and cash equivalents	<u>\$ 967,678</u>	<u>\$ (638,492)</u>	<u>\$ 329,186</u>

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

Investments

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

Taxes Receivable

Taxes levied during the current year and prior and uncollected at December 31, 2016 are recorded as receivables net of reserves for estimated uncollectibles of \$157,649 in the General Fund.

Accounts Receivable

Ambulance services billed during the current year and prior and uncollected at December 31, 2016 are recorded as receivables net of reserves for estimated uncollectibles of \$1,037,173 in the General Fund.

Inventory

On government-wide and proprietary fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position but are not reported in the governmental fund financial statements. In the government-wide financial statements, capital assets are reported in the applicable governmental or business-type activities column.

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The Town maintains a capitalization threshold of \$10,000. The Town's infrastructure consists of roads, bridges, sidewalks, water purification and distribution systems, sewer collection and treatment systems, and similar items. Intangible assets of the Town consist of conservation land easements which are reported as non-depreciable capital assets, and software costs which are reported as depreciable capital assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction phase of capital assets of the business-type activities is also capitalized.

All reported capital assets except for land, certain intangible assets and construction in process 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>
Infrastructure	10-75
Land improvements	15-20
Buildings and improvements	10-50
Vehicles and equipment	3-50
Intangible assets	5

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

Compensated Absences

Employees earn vacation and sick leave as they provide services. Provision is made in the annual budget for vacation and sick leave. Pursuant to Town personnel policy and collective bargaining agreements, employees may accumulate (subject to certain limitations) unused vacation pay earned and, upon retirement, resignation or death will be compensated for such amounts at current rates of pay. No payment for unused sick leave is made upon termination.

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

Accrued Liabilities and Long-Term Obligations

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

Pensions

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.

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

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 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 classified as "Assigned". The Selectmen expressly delegate the authority to assign amounts to be used for specific purposes to the Town Administrator.
- *Unassigned Fund Balance*: Amounts that are not obligated or specifically designated and are available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit balance of another governmental fund is also classified as unassigned.

Spending Prioritizations

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.

Deficit Fund Balance

At year end, if any of the special revenue funds has a deficit unassigned fund balance, the Board of Selectmen is authorized to transfer funds from the General Fund to cover the deficit, providing the General Fund has the resources to do so.

Minimum Level of Unassigned Fund Balance

As recommended by the New Hampshire Department of Revenue Administration, the Town will strive to maintain an unassigned fund balance in its General Fund equal to 5-15% of the total annual appropriations of the community (which includes the Town, County, and School District).

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

Interfund Activity

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

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

Operating Revenues and Expenses

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

Estimates

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

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Other Post-Employment Benefits

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

NOTE 3—DEPOSITS AND INVESTMENTS

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

Statement of Net Position:	
Cash and cash equivalents	\$ 16,599,553
Investments	2,588,985
Statement of Fiduciary Net Position:	
Cash and cash equivalents	72,981
Investments	3,949,543
Total deposits and investments	<u>\$ 23,211,062</u>

TOWN OF MILFORD, 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	\$ 31,890
Deposits with financial institutions	16,640,644
Investments	<u>6,538,528</u>
Total deposits and investments	<u>\$ 23,211,062</u>

The Town's investment policy for governmental and proprietary 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 (NHDPID), an external investment pool.

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

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town's investment policy for managing interest rate risk requires investment maturities to be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures, as well as anticipated revenue inflows. 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	\$ 220,390	\$ 25,123	\$ 49,353	\$ 145,914
Government agency bonds	102,418		102,418	
Bond mutual funds	2,043,413		214,126	1,829,287
Municipal bonds	114,942	50,578		64,364
Corporate bonds	<u>149,951</u>		<u>50,960</u>	<u>98,991</u>
	<u>\$ 2,631,114</u>	<u>\$ 75,701</u>	<u>\$ 416,857</u>	<u>\$ 2,138,556</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town's investment policy states that the Town's objective is to attain the highest possible rate of return while taking into account the legal constraints, cash flow needs and risk levels consistent with the primary objective of capital preservation. The following are the actual ratings as of year-end for each investment type:

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

Ratings as of Year End	Investment Type						Totals
	Government	Municipal	Corporate	Money	Bond	State	
	agency bonds	bonds	bonds	market funds	mutual funds	investment pool	
Aaa	\$ 102,418					\$ 26,753	\$ 129,171
Aa1		\$ 50,578	\$ 48,046				98,624
Aa3		64,364					64,364
A1			101,905				101,905
Not Rated				\$ 422,258	\$ 2,043,413		2,465,671
Fair Value	\$ 102,418	\$ 114,942	\$ 149,951	\$ 422,258	\$ 2,043,413	\$ 26,753	\$ 2,859,735

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, \$16,409,018 was collateralized by securities held by the bank in the bank's name. As of December 31, 2016, Town investments in the following investment types were held by the same counterparty that was used to buy the securities:

Investment Type	Reported Amount
U.S. Treasury obligations	\$ 220,390
Equity securities	3,458,403
Government agency bonds	102,418
Municipal bonds	114,942
Corporate bonds	149,951
Bond mutual funds	2,043,413
	<u>\$ 6,089,517</u>

Fair Value Measurement of Investments

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

- Level 1 Inputs - Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date.
- 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 MILFORD, 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>	<u>Fair Value Measurements Using:</u>			<u>Total</u>
	<u>Level 1</u> <u>inputs</u>	<u>Level 2</u> <u>inputs</u>	<u>Level 3</u> <u>inputs</u>	
Equity securities	\$ 3,458,403			\$ 3,458,403
Bond mutual funds	2,043,413			2,043,413
US Treasury obligations		\$ 220,390		220,390
Government agency bonds		102,418		102,418
Municipal bonds		114,942		114,942
Corporate bonds		149,951		149,951
	<u>\$ 5,501,816</u>	<u>\$ 587,701</u>	<u>\$ -</u>	<u>\$ 6,089,517</u>

Equity securities and bond mutual funds classified as Level 1 are valued using unadjusted prices quoted in active markets for those securities. US Treasury obligations, 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.

Investment in NHPDIP (State investment pool)

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.

NOTE 4—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	\$ 13,231,302			\$ 13,231,302
Easements	131,049			131,049
Construction in process	<u>1,706,925</u>	<u>\$ 1,185,167</u>	<u>\$ (679,455)</u>	<u>2,212,637</u>
Total capital assets not being depreciated	<u>15,069,276</u>	<u>1,185,167</u>	<u>(679,455)</u>	<u>15,574,988</u>

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

Other capital assets:				
Infrastructure	7,569,650	716,505		8,286,155
Land improvements	2,300,303	59,762		2,360,065
Buildings and improvements	10,352,618			10,352,618
Vehicles and equipment	7,540,895	173,004	(30,277)	7,683,622
Intangible assets	259,044	11,965		271,009
Total other capital assets at historical cost	<u>28,022,510</u>	<u>961,236</u>	<u>(30,277)</u>	<u>28,953,469</u>
Less accumulated depreciation for:				
Infrastructure	(3,083,799)	(376,404)		(3,460,203)
Land improvements	(1,582,302)	(87,659)		(1,669,961)
Buildings and improvements	(4,216,664)	(287,186)		(4,503,850)
Vehicles and equipment	(4,726,990)	(501,504)	28,976	(5,199,518)
Intangible assets	(205,890)	(14,255)		(220,145)
Total accumulated depreciation	<u>(13,815,645)</u>	<u>(1,267,008)</u>	<u>28,976</u>	<u>(15,053,677)</u>
Total other capital assets, net	<u>14,206,865</u>	<u>(305,772)</u>	<u>(1,301)</u>	<u>13,899,792</u>
Total capital assets, net	<u>\$ 29,276,141</u>	<u>\$ 879,395</u>	<u>\$ (680,756)</u>	<u>\$ 29,474,780</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 216,307
Public safety	448,101
Highways and streets	530,412
Sanitation	16,822
Culture and recreation	55,366
Total governmental activities depreciation expense	<u>\$ 1,267,008</u>

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

Vehicles and equipment	\$ 2,199,366
Less: Accumulated depreciation	<u>(523,428)</u>
	<u>\$ 1,675,938</u>

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

	Balance 1/1/2016	Additions	Reductions	Balance 12/31/2016
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 188,892			\$ 188,892
Easements	54,636			54,636
Construction in process	388,262	\$ 1,202,425	\$ (413,210)	1,177,477
Total capital assets not being depreciated	<u>631,790</u>	<u>1,202,425</u>	<u>(413,210)</u>	<u>1,421,005</u>
Other capital assets:				
Infrastructure	15,277,976	501,242		15,779,218
Land improvements	56,757			56,757
Buildings and improvements	23,221,743			23,221,743
Vehicles and equipment	3,753,770	13,896		3,767,666
Total other capital assets at historical cost	<u>42,310,246</u>	<u>515,138</u>	<u>-</u>	<u>42,825,384</u>

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

Less accumulated depreciation for:

Infrastructure	(4,833,335)	(259,736)		(5,093,071)
Land improvements	(39,072)	(1,216)		(40,288)
Buildings and improvements	(13,697,415)	(511,254)		(14,208,669)
Vehicles and equipment	(1,636,894)	(197,154)		(1,834,048)
Total accumulated depreciation	(20,206,716)	(969,360)	-	(21,176,076)
Total other capital assets, net	22,103,530	(454,222)	-	21,649,308
Total capital assets, net	<u>\$ 22,735,320</u>	<u>\$ 748,203</u>	<u>\$ (413,210)</u>	<u>\$ 23,070,313</u>

Depreciation expense was charged to proprietary funds as follows:

Water Fund	\$ 311,567
Sewer Fund	657,793
	<u>\$ 969,360</u>

NOTE 5—DEFINED BENEFIT PLAN

Plan Description

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

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

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

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

Benefits Provided

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

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

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.

Funding Policy

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

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's pension contributions to the NHRS for the year ending December 31, 2016 were \$883,337.

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 \$13,117,854 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

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

employers or NHRS. At June 30, 2016, the Town's proportion was approximately 0.2467 percent, which was an increase of 0.0040 percentage points from its proportion measured as of June 30, 2015.

For the year ended December 31, 2016, the Town recognized pension expense of \$1,506,713. 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	\$ 36,454	\$ 165,646
Changes in assumptions	1,614,391	
Net difference between projected and actual investment earnings on pension plan investments	820,722	
Changes in proportion and differences between Town contributions and proportionate share of contributions	221,132	
Town contributions subsequent to the measurement date	<u>485,871</u>	
Totals	<u>\$ 3,178,570</u>	<u>\$ 165,646</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$3,012,924. The Town reported \$485,871 as deferred outflows of resources related to pension resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2017. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized as pension expense in the measurement periods as follows:

<u>Year Ending</u> <u>December 31</u>	
2017	\$ 512,283
2018	512,283
2019	806,534
2020	663,088
2021	<u>32,865</u>
	<u>\$2,527,053</u>

Actuarial Assumptions

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

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

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

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

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

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

Discount Rate

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

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

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

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

	1% Decrease	Current Discount Rate	1% Increase
	<u>(6.25%)</u>	<u>(7.25%)</u>	<u>(8.25%)</u>
Town's proportionate share of the net pension liability	\$ 16,855,548	\$ 13,117,854	\$ 10,018,028

NOTE 6—SHORT-TERM OBLIGATIONS

During November 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.

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

NOTE 7—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

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

	Balance <u>1/1/2016</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2016</u>	Due Within <u>One Year</u>
Governmental activities:					
Bonds payable	\$ 2,520,000		\$ (305,000)	\$ 2,215,000	\$ 305,000
Note payable	1,971,950		(110,700)	1,861,250	110,700
Capital leases payable	1,298,448		(346,004)	952,444	331,513
Compensated absences payable	270,076	\$ 56,077	(57,837)	268,316	
Total governmental activities	<u>\$ 6,060,474</u>	<u>\$ 56,077</u>	<u>\$ (819,541)</u>	<u>\$ 5,297,010</u>	<u>\$ 747,213</u>

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

Business-type activities:

Bonds payable	\$ 2,107,429		\$ (223,434)	\$ 1,883,995	\$ 183,439
Notes payable	1,489,809		(74,490)	1,415,319	148,981
Compensated absences payable	42,869	\$ 7,632	(4,793)	45,708	
Total business-type activities	<u>\$ 3,640,107</u>	<u>\$ 7,632</u>	<u>\$ (302,717)</u>	<u>\$ 3,345,022</u>	<u>\$ 332,420</u>

Payments on the bonds payable, note payable and capital leases of the governmental activities are paid out of the General Fund. Payments on the bonds payable and notes payable of the business-type activities are paid out of the Water and Sewer Funds, as applicable to each fund for related debt. Compensated absences will be paid from the fund where the employee's salary is paid.

General Obligation Bonds

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

	Interest Rate	Final Maturity Date	Balance at 12/31/2016
Governmental Activities:			
Water Main Extension	4.70-5.30%	08/2017	\$ 35,000
Police Station	3.70-4.50%	09/2024	1,200,000
Mileslip Road Land	4.50%	08/2025	980,000
Total governmental activities			<u>\$ 2,215,000</u>
Business-type Activities:			
<i>Water Fund:</i>			
Storage Tank	4.50%	08/2025	\$ 720,000
Elm Street Phase I	4.0-4.50%	08/2026	355,000
Dram Cup Storage	1.98%	01/2025	174,554
			<u>1,249,554</u>
<i>Sewer Fund:</i>			
Outfall Diffuser	4.0-5.0%	08/2026	150,000
Septage Receiving Facility	2.72%	12/2032	484,441
			<u>634,441</u>
Total business-type activities			<u>\$ 1,883,995</u>

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

Year Ending December 31,	Principal	Interest	Totals
2017	\$ 305,000	\$ 91,840	\$ 396,840
2018	270,000	79,410	349,410
2019	270,000	68,610	338,610
2020	270,000	57,810	327,810
2021	270,000	46,860	316,860
2022-2026	830,000	73,500	903,500
	<u>\$ 2,215,000</u>	<u>\$ 418,030</u>	<u>\$ 2,633,030</u>

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

Debt service requirements to retire general obligation bonds outstanding for business-type activities at December 31, 2016 are as follows:

Water Fund:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 138,161	\$ 49,020	\$ 187,181
2018	133,458	43,523	176,981
2019	133,759	38,447	172,206
2020	134,066	24,321	158,387
2021	134,378	28,191	162,569
2022-2026	575,732	61,724	637,456
	<u>\$ 1,249,554</u>	<u>\$ 245,226</u>	<u>\$ 1,494,780</u>

Sewer Fund:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 45,278	\$ 20,238	\$ 65,516
2018	45,278	18,665	63,943
2019	45,278	17,166	62,444
2020	45,277	15,649	60,926
2021	45,277	14,167	59,444
2022-2026	226,388	47,687	274,075
2027-2031	151,388	16,471	167,859
2032	30,277	824	31,101
	<u>\$ 634,441</u>	<u>\$ 150,867</u>	<u>\$ 785,308</u>

General Obligation Notes

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

	<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:			
Ambulance Facility	2.875%	01/2034	<u>\$ 1,861,250</u>
Business-type Activities:			
<i>Water Fund:</i>			
Curtis Well	2.35%	01/2026	\$ 280,250
Union Street Water Main	2.35%	01/2026	126,169
West Elm Street Water Main	2.35%	01/2026	752,400
			<u>1,158,819</u>

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

<i>Sewer Fund:</i>			
Sanitary Sewer Rehab	2.35%	01/2026	<u>256,500</u>
			<u>256,500</u>
Total business-type activities			<u>\$ 1,415,319</u>

Debt service requirements to retire the general obligation note 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	\$ 110,700	\$ 54,105	\$ 164,805
2018	110,700	50,922	161,622
2019	110,700	47,739	158,439
2020	110,700	44,557	155,257
2021	110,700	41,374	152,074
2022-2026	553,500	159,132	712,632
2027-2031	553,500	79,566	633,066
2032-2033	200,750	9,548	210,298
	<u>\$ 1,861,250</u>	<u>\$ 486,943</u>	<u>\$ 2,348,193</u>

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

Water Fund:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 121,981	\$ 27,232	\$ 149,213
2018	121,981	24,366	146,347
2019	121,981	21,499	143,480
2020	121,981	18,633	140,614
2021	121,981	15,766	137,747
2022-2026	548,914	35,115	584,029
	<u>\$ 1,158,819</u>	<u>\$ 142,611</u>	<u>\$ 1,301,430</u>

Sewer Fund:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 27,000	\$ 6,028	\$ 33,028
2018	27,000	5,393	32,393
2019	27,000	4,759	31,759
2020	27,000	4,124	31,124
2021	27,000	3,490	30,490
2022-2026	121,500	7,773	129,273
	<u>\$ 256,500</u>	<u>\$ 31,567</u>	<u>\$ 288,067</u>

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

Capital Lease Obligations

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

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

	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Balance at 12/31/2016</u>
Governmental Activities:			
Fire engine	2.29%	04/2018	\$ 129,046
Ambulances	1.72%	06/2019	141,177
Dump truck	1.59%	06/2017	25,290
Sweeper	1.72%	06/2019	96,924
Sidewalk tractor	1.95%	02/2018	58,140
Dump truck	2.25%	06/2018	58,219
Ladder truck	2.50%	06/2020	443,648
			<u>\$ 952,444</u>

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

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2017	\$ 331,513	\$ 20,987	\$ 352,500
2018	312,906	13,903	326,809
2019	192,972	7,071	200,043
2020	115,053	2,876	117,929
	<u>\$ 952,444</u>	<u>\$ 44,837</u>	<u>\$ 997,281</u>

NOTE 8—INTERFUND BALANCES AND TRANSFERS

The Town has combined the cash resources of its governmental and proprietary fund types. 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:

	<u>Due from</u>			<u>Totals</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Sewer Fund</u>	
Due to General Fund		\$ 561,027	\$ 1,160,289	\$ 1,721,316
Nonmajor Governmental Funds	\$ 260,307	147,957		408,264
Water Fund	<u>297,755</u>		<u>10,000</u>	<u>307,755</u>
	<u>\$ 558,062</u>	<u>\$ 708,984</u>	<u>\$ 1,170,289</u>	<u>\$ 2,437,335</u>

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

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		Totals
	General Fund	Nonmajor Governmental Funds	
Transfer to General Fund		\$ 147,215	\$ 147,215
Nonmajor Governmental Funds	\$ 334,119	29,051	363,170
Sewer Fund		7,420	7,420
	<u>\$ 334,119</u>	<u>\$ 183,686</u>	<u>\$ 517,805</u>

NOTE 9—RESTRICTED NET POSITION

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

Governmental Activities:

Permanent Funds - Principal	\$ 1,542,587
Permanent Funds - Income	60,264
Heritage Commission donations	9,300
Conservation Commission donations	20,861
Library Funds	109,494
	<u>\$ 1,742,506</u>

NOTE 10—COMPONENTS OF FUND BALANCE

The components of fund balance for governmental funds at December 31, 2016 are as follows:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<u>Fund Balances</u>			
<i>Nonspendable:</i>			
Prepaid expenses	\$ 151,855		\$ 151,855
Permanent Funds - Principal		\$ 1,542,587	1,542,587
<i>Restricted for:</i>			
Heritage Commission donations	9,300		9,300
Conservation Commission donations	20,861		20,861
Library Funds	109,494		109,494
Permanent Funds - Income		60,264	60,264
<i>Committed for:</i>			
Continuing appropriations - Non-lapsing	544,722		544,722
Expendable Trust Funds	1,375,939		1,375,939
Conservation Commission	119,668		119,668
Impact Fees Fund		11,597	11,597
Recreation Fund		20,188	20,188
Special Purpose Funds		22,861	22,861
Public Safety Revolving Fund		68,111	68,111
Cable Access Fund		253,818	253,818

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

Assigned for:

Encumbrances	157,734		157,734
Heritage Commission	1,000		1,000

Unassigned:

Unassigned - General operations	<u>1,430,637</u>		<u>1,430,637</u>
	<u>\$ 3,921,210</u>	<u>\$ 1,979,426</u>	<u>\$ 5,900,636</u>

NOTE 11—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$1,329,268,961 as of April 1, 2016) and are due in two installments on July 1, 2016 and December 5, 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 deeded to the Town.

In accordance with State law, the Town collects taxes for the Milford School District and Hillsborough County, both independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the School District. Total taxes appropriated during the year were \$27,287,981 and \$1,703,509 for the Milford School District and Hillsborough 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 Milford School District is \$13,551,069 and has been reported in the General Fund as 'Due to other governments' in these financial statements.

NOTE 12—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.

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

Property and Liability Insurance

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

Worker's Compensation

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

NOTE 13—PERFORMANCE DEPOSITS

The Town holds letters of credit and performance bonds from developers until projects have been completed to Town standards. Due to the nature of these deposits, these letters of credit and performance bonds are not included as part of the financial statements. At December 31, 2016, the Town held performance deposits totaling \$1,684,418.

NOTE 14—MILFORD AREA COMMUNICATION CENTER

The Town of Milford is a member of the Milford Area Communication Center. This is a joint venture with three neighboring towns to provide communication dispatch services. The Center is managed by board members representing the participating towns. The Town does not exercise any control over the budgeting and financing of the Center's activities. Financial statements are available from the Milford Area Communication Center. The inter-municipal agreement calls for sharing of budgeted expenses in proportion to population. The Town of Milford's share for the year ended December 31, 2016 amounted to \$507,282 or 68.9%. The Center rents space in the Milford Town Hall for \$3,000 per year.

NOTE 15—COMMITMENTS

Water Supply Contract

On March 21, 2002, the Town of Milford entered into an agreement with Pennichuck Water Works, Inc. for the purpose of supplying water to the Town. The terms of the agreement are for 20 years with minimum payments of \$81,000 per year. Monthly payments commenced April 1, 2002. Each year's appropriation is expected to be made at Town Meeting.

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

NOTE 16—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 17—RECLASSIFICATION OF FUND TYPE

During the year ended December 31, 2016, the Town made reclassifications within its fiduciary fund types. Management has determined that, due to the nature and purpose of certain school trust funds held by the Town, these trust funds previously reported as Private-Purpose Trust Funds were not properly classified as Agency Funds. As a result, the balance of \$3,949,543 is now reported within School Agency Funds in these financial statements. See Exhibit H of the basic financial statements.

NOTE 18—SUBSEQUENT EVENTS

State Revolving Loan Drawdowns

At the March 2016 and 2017 annual Town meetings, the voters authorized the Town to issue State Revolving Loan Funds in an amount not to exceed \$216,000 for the purpose of inspection of the Town's stormwater system. As of July 16, 2018, the Town has drawn \$124,793 of the authorized funds.

Debt Authorization

At the March 2017 annual Town meeting, the voters authorized the issuance of \$2,000,000 in bonds for the reconstruction of Town roads and \$375,000 in bonds for the replacement of the wastewater emergency back-up generator.

SCHEDULE 1

TOWN OF MILFORD, 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	\$ 9,251,997	\$ 9,251,997	\$ 9,407,316	\$ 155,319
Licenses and permits	2,825,550	2,825,550	2,861,574	36,024
Intergovernmental	1,117,564	1,117,564	1,183,503	65,939
Charges for services	795,000	795,000	910,484	115,484
Investment income	18,500	18,500	18,837	337
Miscellaneous	276,000	276,000	238,471	(37,529)
Total Revenues	<u>14,284,611</u>	<u>14,284,611</u>	<u>14,620,185</u>	<u>335,574</u>
Expenditures:				
Current operations:				
General government	5,078,331	5,078,331	4,711,851	366,480
Public safety	4,356,120	4,356,120	4,361,402	(5,282)
Highways and streets	1,528,771	1,528,771	1,510,907	17,864
Health and welfare	240,012	240,012	225,643	14,369
Sanitation	664,644	664,644	694,421	(29,777)
Culture and recreation	326,969	326,969	319,773	7,196
Capital outlay	1,037,164	230,487	-	230,487
Debt service:				
Principal retirement	761,704	761,704	761,704	-
Interest and fiscal charges	190,204	190,204	187,522	2,682
Total Expenditures	<u>14,183,919</u>	<u>13,377,242</u>	<u>12,773,223</u>	<u>604,019</u>
Excess of revenues over expenditures	<u>100,692</u>	<u>907,369</u>	<u>1,846,962</u>	<u>939,593</u>
Other financing sources (uses):				
Proceeds from debt issuance	216,000	216,000	-	(216,000)
Transfers in	45,000	45,000	147,215	102,215
Transfers out	(1,182,856)	(1,444,811)	(1,419,811)	25,000
Total other financing sources (uses)	<u>(921,856)</u>	<u>(1,183,811)</u>	<u>(1,272,596)</u>	<u>(88,785)</u>
Net change in fund balance	(821,164)	(276,442)	574,366	850,808
Fund balances at beginning of year				
- Budgetary Basis	<u>2,912,659</u>	<u>2,912,659</u>	<u>2,912,659</u>	<u>-</u>
Fund balances at end of year				
- Budgetary Basis	<u>\$ 2,091,495</u>	<u>\$ 2,636,217</u>	<u>\$ 3,487,025</u>	<u>\$ 850,808</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

TOWN OF MILFORD, NEW HAMPSHIRE

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

For the Year Ended December 31, 2016

<u>Measurement Period Ended</u>	<u>Town's Proportion of the Net Pension Liability</u>	<u>Town's Proportionate Share of the Net Pension Liability</u>	<u>Town's Covered Payroll</u>	<u>Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2016	0.24668770%	\$ 13,117,854	\$ 5,941,032	220.80%	58.30%
June 30, 2015	0.24265407%	\$ 9,612,807	\$ 5,800,830	165.71%	65.47%
June 30, 2014	0.23988935%	\$ 9,004,452	\$ 5,535,219	162.68%	66.32%
June 30, 2013	0.23924342%	\$ 10,296,521	\$ 5,376,720	191.50%	59.81%

See accompanying notes to the required supplementary information

SCHEDULE 3

TOWN OF MILFORD, NEW HAMPSHIRE

Schedule of Town Contributions

For the Year Ended December 31, 2016

<u>Year Ended</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Town's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2016	\$ 883,337	\$ (883,337)	\$ -	\$ 5,960,480	14.82%
December 31, 2015	\$ 886,887	\$ (886,887)	\$ -	\$ 6,143,332	14.44%
December 31, 2014	\$ 781,993	\$ (781,993)	\$ -	\$ 5,598,597	13.97%
December 31, 2013	\$ 691,409	\$ (691,409)	\$ -	\$ 5,465,686	12.65%

See accompanying notes to the required supplementary information

TOWN OF MILFORD, 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). 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 out, budgetary expenditures and transfers out, and encumbrances as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 14,873,039	\$ 14,044,731
Difference in property taxes meeting susceptible to accrual criteria	60,338	
Non-budgetary revenues and expenditures	(165,977)	(903,956)
Non-budgetary transfers out		(72,164)
Budgetary expenditures and transfers out		1,157,856
Encumbrances - December 31, 2016		157,734
Encumbrances - December 31, 2015		(191,167)
Per Schedule 1	<u>\$ 14,767,400</u>	<u>\$ 14,193,034</u>

NOTE 2—BUDGETARY FUND BALANCE

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

<i>Nonspendable:</i>	
Prepaid expenses	\$ 151,855
<i>Committed for:</i>	
Continuing appropriations - Non-lapsing	544,722
<i>Unassigned:</i>	
Unassigned - General Operations	<u>2,790,448</u>
	<u>\$ 3,487,025</u>

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

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

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

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

	Special Revenue Funds	Permanent Funds	Combining Totals
ASSETS			
Investments		\$ 1,613,556	\$ 1,613,556
Accounts receivable	\$ 94,526		94,526
Due from other governments	754,479		754,479
Due from other funds	408,264		408,264
Total Assets	<u>1,257,269</u>	<u>1,613,556</u>	<u>2,870,825</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 1,257,269</u>	<u>\$ 1,613,556</u>	<u>\$ 2,870,825</u>
LIABILITIES			
Accounts payable	\$ 47,821		\$ 47,821
Accrued expenses	361		361
Due to other governments	5,000		5,000
Advances from grantors	129,233		129,233
Due to other funds	698,279	\$ 10,705	708,984
Total Liabilities	<u>880,694</u>	<u>10,705</u>	<u>891,399</u>
DEFERRED INFLOWS OF RESOURCES			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Nonspendable		1,542,587	1,542,587
Restricted		60,264	60,264
Committed	376,575		376,575
Total Fund Balances	<u>376,575</u>	<u>1,602,851</u>	<u>1,979,426</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,257,269</u>	<u>\$ 1,613,556</u>	<u>\$ 2,870,825</u>

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

	Impact Fees <u>Fund</u>	Recreation <u>Fund</u>	Special Purpose <u>Funds</u>	Public Safety Revolving <u>Fund</u>	Cable Access <u>Fund</u>	Combining <u>Totals</u>
ASSETS						
Accounts receivable				\$ 49,690	\$ 44,836	\$ 94,526
Due from other governments			\$ 754,479			754,479
Due from other funds	\$ 11,597	\$ 20,794	147,957	18,421	209,495	408,264
Total Assets	<u>11,597</u>	<u>20,794</u>	<u>902,436</u>	<u>68,111</u>	<u>254,331</u>	<u>1,257,269</u>
DEFERRED OUTFLOWS OF RESOURCES						
Total Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 11,597</u>	<u>\$ 20,794</u>	<u>\$ 902,436</u>	<u>\$ 68,111</u>	<u>\$ 254,331</u>	<u>\$ 1,257,269</u>
LIABILITIES						
Accounts payable		\$ 245	\$ 47,063		\$ 513	\$ 47,821
Accrued expenses		361				361
Due to other governments			5,000			5,000
Advances from grantors			129,233			129,233
Due to other funds			698,279			698,279
Total Liabilities	<u>\$ -</u>	<u>606</u>	<u>879,575</u>	<u>\$ -</u>	<u>513</u>	<u>880,694</u>
DEFERRED INFLOWS OF RESOURCES						
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES						
Committed	11,597	20,188	22,861	68,111	253,818	376,575
Total Fund Balances	<u>11,597</u>	<u>20,188</u>	<u>22,861</u>	<u>68,111</u>	<u>253,818</u>	<u>376,575</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,597</u>	<u>\$ 20,794</u>	<u>\$ 902,436</u>	<u>\$ 68,111</u>	<u>\$ 254,331</u>	<u>\$ 1,257,269</u>

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

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Combining <u>Totals</u>
Revenues:			
Licenses and permits	\$ 172,251		\$ 172,251
Intergovernmental	1,136,166		1,136,166
Charges for services	473,315		473,315
Investment income		\$ 83,648	83,648
Miscellaneous	186,730		186,730
Total Revenues	<u>1,968,462</u>	<u>83,648</u>	<u>2,052,110</u>
Expenditures:			
Current operations:			
General government	123,285	7,921	131,206
Public safety	420,927		420,927
Health and welfare	202		202
Culture and recreation	83,841	13,958	97,799
Capital outlay	<u>1,457,115</u>		<u>1,457,115</u>
Total Expenditures	<u>2,085,370</u>	<u>21,879</u>	<u>2,107,249</u>
Excess of revenues over (under) expenditures	<u>(116,908)</u>	<u>61,769</u>	<u>(55,139)</u>
Other financing sources (uses):			
Transfers in	363,170		363,170
Transfers out	<u>(159,981)</u>	<u>(23,705)</u>	<u>(183,686)</u>
Total other financing sources (uses)	<u>203,189</u>	<u>(23,705)</u>	<u>179,484</u>
Net change in fund balances	86,281	38,064	124,345
Fund balances at beginning of year	<u>290,294</u>	<u>1,564,787</u>	<u>1,855,081</u>
Fund balances at end of year	<u>\$ 376,575</u>	<u>\$ 1,602,851</u>	<u>\$ 1,979,426</u>

SCHEDULE B-1

TOWN OF MILFORD, 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

	Impact Fees Fund	Recreation Fund	Special Purpose Funds	Public Safety Revolving Fund	Cable Access Fund	Combining Totals
Revenues:						
Licenses and permits					\$ 172,251	\$ 172,251
Intergovernmental			\$ 1,136,166			1,136,166
Charges for services		\$ 81,006		\$ 392,309		473,315
Miscellaneous	\$ 34,431	3,179	149,120			186,730
Total Revenues	<u>34,431</u>	<u>84,185</u>	<u>1,285,286</u>	<u>392,309</u>	<u>172,251</u>	<u>1,968,462</u>
Expenditures:						
Current operations:						
General government			2,812		120,473	123,285
Public safety			74,947	345,980		420,927
Health and welfare			202			202
Culture and recreation		83,039	802			83,841
Capital outlay			1,457,115			1,457,115
Total Expenditures	<u>-</u>	<u>83,039</u>	<u>1,535,878</u>	<u>345,980</u>	<u>120,473</u>	<u>2,085,370</u>
Excess of revenues over (under) expenditures	<u>34,431</u>	<u>1,146</u>	<u>(250,592)</u>	<u>46,329</u>	<u>51,778</u>	<u>(116,908)</u>
Other financing sources (uses):						
Transfers in			363,170			363,170
Transfers out	(29,860)	(16,051)	(114,070)			(159,981)
Total other financing sources (uses)	<u>(29,860)</u>	<u>(16,051)</u>	<u>249,100</u>	<u>-</u>	<u>-</u>	<u>203,189</u>
Net change in fund balances	4,571	(14,905)	(1,492)	46,329	51,778	86,281
Fund balances at beginning of year	<u>7,026</u>	<u>35,093</u>	<u>24,353</u>	<u>21,782</u>	<u>202,040</u>	<u>290,294</u>
Fund balances at end of year	<u>\$ 11,597</u>	<u>\$ 20,188</u>	<u>\$ 22,861</u>	<u>\$ 68,111</u>	<u>\$ 253,818</u>	<u>\$ 376,575</u>