

**TOWN OF NORTH HAMPTON, NEW HAMPSHIRE**

**Annual Financial Statements**

**For the Year Ended June 30, 2017**

## TABLE OF CONTENTS

	<u>PAGE</u>
<b>INDEPENDENT AUDITORS' REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	3
<b>BASIC FINANCIAL STATEMENTS:</b>	
<b>Government-wide Financial Statements:</b>	
Statement of Net Position	11
Statement of Activities	12
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
Balance Sheet	13
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	14
Statement of Revenues, Expenditures, and Changes in Fund Balances	15
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	16
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	17
<b>Fiduciary Funds:</b>	
Statement of Fiduciary Net Position	18
Statement of Changes in Fiduciary Net Position	19
<b>Notes to Financial Statements</b>	20
<b>REQUIRED SUPPLEMENTARY INFORMATION:</b>	
<b>Pension:</b>	
Schedule of Proportionate Share of the Net Pension Liability (GASB 68)	44
Schedule of Pension Contributions (GASB 68)	45
<b>OPEB:</b>	
Schedule of OPEB Funding Progress (GASB 45)	46

## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of North Hampton, New Hampshire

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of North Hampton, New Hampshire, as of and for the year ended June 30, 2017, 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**

The Town's 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.

### **Auditors' Responsibility**

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

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

opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of North Hampton, New Hampshire, as of June 30, 2017, and the respective changes in financial position, and the respective budgetary comparison for the general fund 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 Management's Discussion and Analysis, and the Pension and OPEB schedules appearing on pages 44 to 46 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 evidence sufficient to express an opinion or provide any assurance.

*Melanson Heath*

January 25, 2018

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of North Hampton, we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2017.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

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

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

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues. The governmental activities include general government, public safety, highways and streets, sanitation, and culture and recreation.

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available

at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$8,629,591 (i.e., net position), a change of \$755,689 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$5,941,012, a change of \$878,475 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,450,999, a change of \$355,585 in comparison to the prior year.

### C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 15,607,282	\$ 14,883,082
Capital assets	12,255,037	12,086,577
Deferred outflows	<u>1,914,047</u>	<u>860,561</u>
Total assets and deferred outflows	29,776,366	27,830,220
Current liabilities	900,578	1,215,473
Noncurrent liabilities	11,073,296	9,222,093
Deferred inflows	<u>9,172,901</u>	<u>9,518,752</u>
Total assets and deferred inflows	21,146,775	19,956,318
Net position:		
Net investment in capital assets	9,054,508	8,789,757
Restricted	1,900,454	1,621,159
Unrestricted	<u>(2,325,371)</u>	<u>(2,537,014)</u>
Total net position	<u>\$ 8,629,591</u>	<u>\$ 7,873,902</u>

### CHANGES IN NET POSITION

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 625,129	\$ 554,750
Operating grants and contributions	35,304	8,867
General revenues:		
Property taxes	5,725,338	5,674,658
Motor vehicle permits and fees	1,519,112	1,446,393
Grants and contributions not restricted to specific programs	339,386	328,717
Investment income	16,712	15,133
Other	<u>96,931</u>	<u>117,863</u>
Total revenues	8,357,913	8,146,381

(continued)

(continued)

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Expenses:		
General government	1,776,549	1,358,147
Public safety	3,732,249	3,081,655
Highways and streets	1,179,167	1,194,026
Sanitation	105,387	108,933
Health and welfare	19,336	78,347
Culture and recreation	659,406	513,559
Conservation	11,042	10,555
Interest on long-term debt	119,087	122,883
Total expenses	<u>7,602,224</u>	<u>6,468,105</u>
Change in net position	755,689	1,678,276
Net position - beginning of year	<u>7,873,902</u>	<u>6,195,626</u>
Net position - end of year	<u>\$ 8,629,591</u>	<u>\$ 7,873,902</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$8,629,591, a change of \$755,689 from the prior year.

The largest portion of net position, \$9,054,508, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$1,900,454, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(2,325,371), primarily resulting from the Town's unfunded net pension liability.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$755,689. Key elements of this change are as follows:



General fund budgetary results	\$	224,163
Increase in capital reserves		171,226
Ambulance capital fund results		174,463
Conservation fund results		(6,427)
Increase in capital assets from existing resources		577,319
Increase in net pension liability		(1,818,952)
Increase in deferred outflows		1,053,486
Other		380,411
Total	\$	<u>755,689</u>

**D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$5,941,012, a change of \$878,475 in comparison to the prior year. Key elements of this change are as follows:

General fund budgetary results	\$	224,163
Increase in capital reserves		171,226
Ambulance capital fund results		174,463
Conservation fund results		(6,427)
Other nonmajor funds		315,050
Total	\$	<u>878,475</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,450,999, while total fund balance was \$4,072,261. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>	<u>% of Total General Fund Appropriations including School &amp; County</u>
Unassigned fund balance	\$ 2,450,999	\$ 2,095,414	\$ 355,585	12.3%
Total fund balance	\$ 4,072,261	\$ 3,473,081	\$ 599,180	20.4%

The total fund balance of the general fund changed by \$599,180 during the current fiscal year. Key factors in this change are as follows:

Use of fund balances as a funding source	\$ (40,000)
Revenues greater than budget	155,791
Expenditures less than budget	53,334
Tax collections as compared to budget	171,422
Expenditures of current year encumbrance over prior year encumbrance	72,369
Other	15,038
Change in capital reserves	<u>171,226</u>
Total	<u>\$ 599,180</u>

Included in the total general fund balance are the Town's capital reserve accounts with the following balances:

	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>
Capital reserve accounts	\$ <u>1,385,897</u>	\$ <u>1,214,671</u>	\$ <u>171,226</u>
Total	<u>\$ 1,385,897</u>	<u>\$ 1,214,671</u>	<u>\$ 171,226</u>

#### **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

There was no change between the original budget and the final budget.

#### **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental activities at year-end amounted to \$12,255,037 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- Road Reconstruction \$266,877
- Ford F-550 \$77,518
- Ford F-350 \$47,511
- Ford Police Interceptor \$41,726
- Ford Police Interceptor \$41,726

Additional information on capital assets can be found in the Notes to the Financial Statements.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$2,944,680, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the Notes to Financial Statements.

## **G. ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES**

### **FUTURE BUDGETARY IMPLICATIONS**

The unassigned General Fund balance at the end of the 2017 fiscal year was \$2,450,999. This was a significant increase over the past year. The fund balance must support the irregular cash flow requirements of payments to the School, County, Village District and State for taxes collected on their behalf. The Select Board has identified significant activities or events, which will have an impact on future Town finances, including:

1. The State of New Hampshire's responsibility for funding local education remains a subject of legislative debate and adjustment. Accordingly, the amount of state aid remains inconsistent and subject to annual fluctuation.
2. The State of New Hampshire Retirement System is currently under funded by a significant amount. While the State Legislature has taken steps to address this issue, they have not addressed items such as the continuous funding of the health subsidies and cost-of-living adjustments for retired employees. Also, the System Trustees reduced the assumed rate of return on investments, placing an additional financial burden upon the Town. This could have a major impact on the contributions that the Town makes to the system on behalf of its employees.
3. Reported economic activity continues to increase nation-wide and in New Hampshire, although improvements have been uneven. It is not anticipated that the State will resume its past funding of revenue sharing programs, which may result in additional expenses for the Town or a reduction in services.
4. Health insurance rates continue to rise intermittently at significant levels. The Town has agreements with its represented employees in the Police, Public Works and Fire Departments which resulted in a higher deductible plan, which should promote health rate stability.
5. The Town currently receives its healthcare insurance from HealthTrust. While HealthTrust suggests no major changes in the way health care coverage is provided, the effect of the Affordable Care Act presents future uncertainties regarding health care.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town of North Hampton's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Finance Director  
North Hampton, New Hampshire  
233 Atlantic Avenue - 2<sup>nd</sup> Floor  
North Hampton, NH 03862

TOWN OF NORTH HAMPTON, NEW HAMPSHIRE  
STATEMENT OF NET POSITION  
JUNE 30, 2017

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current:	
Cash and short-term investments	\$ 12,620,121
Receivables, net of allowance for uncollectibles:	
Property taxes	2,799,136
Departmental and other	60,634
Other assets	54,333
Internal balances	9,644
Noncurrent:	
Property taxes	63,414
Capital assets:	
Capital assets being depreciated, net of accumulated depreciation	4,373,298
Capital assets not being depreciated	7,881,739
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pensions	<u>1,914,047</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>29,776,366</b>
<b>LIABILITIES</b>	
Current:	
Accounts payable	230,910
Accrued liabilities	257,979
Other current liabilities	149,230
Current portion of long-term liabilities:	
Bonds payable	141,129
Other	121,330
Noncurrent:	
Bonds payable, net of current portion	2,803,551
Net pension liability	7,233,036
Net OPEB obligation	427,347
Other, net of current portion	609,362
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions	144,854
Other	<u>9,028,047</u>
<b>TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES</b>	<b>21,146,775</b>
<b>NET POSITION</b>	
Net investment in capital assets	9,054,508
Restricted for:	
Grants and other statutory restrictions	1,398,639
Permanent funds:	
Nonexpendable	481,309
Expendable	20,506
Unrestricted	<u>(2,325,371)</u>
<b>TOTAL NET POSITION</b>	<b><u>\$ 8,629,591</u></b>

The accompanying notes are an integral part of these financial statements.

TOWN OF NORTH HAMPTON, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2017

		<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>					
General government	\$ 1,776,549	\$ 174,807	\$ -	\$ -	\$ (1,601,742)
Public safety	3,732,249	315,789	35,159	-	(3,381,301)
Highways and streets	1,179,167	-	-	-	(1,179,167)
Sanitation	105,387	12,113	-	-	(93,274)
Health and welfare	19,336	-	-	-	(19,336)
Culture and recreation	659,406	122,420	145	-	(536,841)
Conservation	11,042	-	-	-	(11,042)
Interest on long-term debt	119,087	-	-	-	(119,087)
Total Governmental Activities	<u>\$ 7,602,223</u>	<u>\$ 625,129</u>	<u>\$ 35,304</u>	<u>\$ -</u>	(6,941,790)
		General Revenues:			
					5,725,338
					1,519,112
					339,386
					16,712
					96,931
					<u>7,697,479</u>
					Change in Net Position
					755,689
		<b>Net Position:</b>			
					<u>7,873,902</u>
					<u>\$ 8,629,591</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF NORTH HAMPTON, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 10,846,582	\$ 1,773,539	\$ 12,620,121
Receivables:			
Property taxes	3,035,524	-	3,035,524
Departmental and other	-	60,634	60,634
Due from other funds	145,631	137,681	283,312
Other assets	<u>54,333</u>	<u>-</u>	<u>54,333</u>
TOTAL ASSETS	<u>\$ 14,082,070</u>	<u>\$ 1,971,854</u>	<u>\$ 16,053,924</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 225,341	\$ 5,569	\$ 230,910
Retainage payable	156,249	-	156,249
Due to other funds	241,965	31,703	273,668
Due to other governments	5,644	-	5,644
Other liabilities	<u>138,389</u>	<u>5,197</u>	<u>143,586</u>
TOTAL LIABILITIES	767,588	42,469	810,057
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues	3,013,310	60,634	3,073,944
Property tax paid in advance	6,228,911		6,228,911
<b>FUND BALANCES</b>			
Nonspendable	-	481,309	481,309
Restricted	-	1,419,145	1,419,145
Committed	1,417,600	-	1,417,600
Assigned	203,662	-	203,662
Unassigned	<u>2,450,999</u>	<u>(31,703)</u>	<u>2,419,296</u>
TOTAL FUND BALANCES	<u>4,072,261</u>	<u>1,868,751</u>	<u>5,941,012</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 14,082,070</u>	<u>\$ 1,971,854</u>	<u>\$ 16,053,924</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF NORTH HAMPTON, NEW HAMPSHIRE  
 RECONCILIATION OF TOTAL GOVERNMENTAL FUND  
 BALANCES TO NET ASSETS OF GOVERNMENTAL  
 ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2017

<b>Total governmental fund balances</b>	\$	5,941,012
<ul style="list-style-type: none"> <li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li> </ul>		12,255,037
<ul style="list-style-type: none"> <li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li> </ul>		101,834
<ul style="list-style-type: none"> <li>• Long-term liabilities, including bonds payable, capital leases, landfill closure, accrued compensated absences and net OPEB obligation are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li> </ul>		(4,102,719)
<ul style="list-style-type: none"> <li>• Net pension liability and related deferred inflows and outflows of resources</li> </ul>		(5,463,843)
<ul style="list-style-type: none"> <li>• Other</li> </ul>		(101,730)
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u>8,629,591</u></b>

The accompanying notes are an integral part of these financial statements.



TOWN OF NORTH HAMPTON, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2017

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues:</b>			
Taxes	\$ 5,749,764	\$ -	\$ 5,749,764
Licenses and permits	1,519,112	-	1,519,112
Intergovernmental	374,545	-	374,545
Charges for services	86,101	565,165	651,266
Investment income	14,138	2,574	16,712
Grants	-	-	-
Miscellaneous	<u>50,440</u>	<u>25,131</u>	<u>75,571</u>
Total Revenues	7,794,100	592,870	8,386,970
<b>Expenditures:</b>			
Current:			
General government	1,627,948	152,793	1,780,741
Public safety	3,407,271	23,060	3,430,331
Highways and streets	1,048,201	-	1,048,201
Sanitation	128,203	-	128,203
Welfare	19,336	-	19,336
Culture and recreation	66,432	500,845	567,277
Conservation	11,042	-	11,042
Debt service	424,215	-	424,215
Capital outlay	<u>307,630</u>	<u>-</u>	<u>307,630</u>
Total Expenditures	<u>7,040,278</u>	<u>676,698</u>	<u>7,716,976</u>
Excess (deficiency) of revenues over (under) expenditures	753,822	(83,828)	669,994
<b>Other Financing Sources (Uses):</b>			
Issuance of capital lease	208,481	-	208,481
Transfers in	24,997	388,120	413,117
Transfers out	<u>(388,120)</u>	<u>(24,997)</u>	<u>(413,117)</u>
Total Other Financing Sources (Uses)	<u>(154,642)</u>	<u>363,123</u>	<u>208,481</u>
Changes in fund balances	599,180	279,295	878,475
Fund Balances, at Beginning of Year	<u>3,473,081</u>	<u>1,589,456</u>	<u>5,062,537</u>
Fund Balances, at End of Year	<u>\$ 4,072,261</u>	<u>\$ 1,868,751</u>	<u>\$ 5,941,012</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF NORTH HAMPTON, 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 JUNE 30, 2017

<b>Net change in fund balances - total governmental funds</b>	\$ 878,475																				
<ul style="list-style-type: none"> <li>• 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 and reported as depreciation expense: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Capital outlay</td> <td style="text-align: right;">577,318</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(408,859)</td> </tr> </table> </li> <li>• The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;">Issuance of capital leases</td> <td style="text-align: right;">(208,481)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">211,129</td> </tr> <tr> <td>Repayment of capital lease</td> <td style="text-align: right;">93,643</td> </tr> <tr> <td>Change in net pension liability</td> <td style="text-align: right;">(1,818,952)</td> </tr> <tr> <td>Change in net OPEB liability</td> <td style="text-align: right;">(43,629)</td> </tr> <tr> <td>Change in deferred inflows and outflows of resources</td> <td style="text-align: right;">1,563,960</td> </tr> </table> </li> <li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., property taxes) differ between the two statements. This amount represents the net change in deferred revenue. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;">(30,997)</td> </tr> </table> </li> <li>• Other <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 80%;"></td> <td style="text-align: right;"><u>(57,918)</u></td> </tr> </table> </li> </ul>		Capital outlay	577,318	Depreciation	(408,859)	Issuance of capital leases	(208,481)	Repayments of debt	211,129	Repayment of capital lease	93,643	Change in net pension liability	(1,818,952)	Change in net OPEB liability	(43,629)	Change in deferred inflows and outflows of resources	1,563,960		(30,997)		<u>(57,918)</u>
Capital outlay	577,318																				
Depreciation	(408,859)																				
Issuance of capital leases	(208,481)																				
Repayments of debt	211,129																				
Repayment of capital lease	93,643																				
Change in net pension liability	(1,818,952)																				
Change in net OPEB liability	(43,629)																				
Change in deferred inflows and outflows of resources	1,563,960																				
	(30,997)																				
	<u>(57,918)</u>																				
<b>Change in net position of governmental activities</b>	<b>\$ <u><u>755,689</u></u></b>																				

The accompanying notes are an integral part of these financial statements.

TOWN OF NORTH HAMPTON, NEW HAMPSHIRE

GENERAL FUND

STATEMENT OF REVENUES AND OTHER SOURCES,  
AND EXPENDITURES AND OTHER USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 5,578,342	\$ 5,578,342	\$ 5,578,342	\$ -
Licenses and permits	1,388,872	1,388,872	1,519,112	130,240
Intergovernmental	334,503	334,503	334,503	-
Charges for services	35,650	35,650	39,590	3,940
Investment income	10,000	10,000	11,483	1,483
Miscellaneous	2,500	2,500	22,628	20,128
Transfers in	54,997	54,997	54,997	-
Use of fund balance	40,000	40,000	40,000	-
Total Revenues	<u>7,444,864</u>	<u>7,444,864</u>	<u>7,600,655</u>	<u>155,791</u>
<b>Expenditures:</b>				
General government	1,346,644	1,346,644	1,519,400	(172,756)
Public safety	3,554,954	3,554,954	3,397,223	157,731
Highways and streets	932,081	932,081	886,358	45,723
Sanitation	141,603	141,603	128,203	13,400
Welfare	27,706	27,706	19,336	8,370
Culture and recreation	62,423	62,423	77,810	(15,387)
Conservation	14,300	14,300	11,042	3,258
Debt service	431,544	431,544	424,215	7,329
Capital outlay	335,489	335,489	329,823	5,666
Transfers out	598,120	598,120	598,120	-
Total Expenditures	<u>7,444,864</u>	<u>7,444,864</u>	<u>7,391,530</u>	<u>53,334</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 209,125</u>	<u>\$ 209,125</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF NORTH HAMPTON, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2017

	Private Purpose Trust <u>Fund</u>	Agency <u>Fund</u>
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ <u>391,142</u>	\$ <u>32,851</u>
Total Assets	391,142	32,851
<b><u>LIABILITIES</u></b>		
Due to other funds	-	9,644
Other liabilities	<u>-</u>	<u>23,207</u>
Total Liabilities	<u>-</u>	<u>32,851</u>
<b><u>NET POSITION</u></b>		
Total net position held in trust	\$ <u><u>391,142</u></u>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF NORTH HAMPTON, NEW HAMPSHIRE  
 FIDUCIARY FUNDS  
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 FOR THE YEAR ENDED JUNE 30, 2017

	<u>Private Purpose Trust Fund</u>
<b>Additions:</b>	
Gifts and contributions	\$ 212,579
<b>Deductions:</b>	
General expenses	<u>100,307</u>
Net change	112,272
<b>Net position:</b>	
Beginning of year	<u>278,870</u>
End of year	<u><u>\$ 391,142</u></u>

The accompanying notes are an integral part of these financial statements.

# NORTH HAMPTON, NEW HAMPSHIRE

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of North Hampton (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

#### A. Reporting Entity

The government is a municipal corporation governed by an elected three-member Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In fiscal year 2017, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

#### B. Government-wide and Fund Financial Statements

##### Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the Town. For the most part, the effect of inter-fund activity has been removed from these statements.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

##### Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

#### Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

#### Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The government reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The Town reports the following fiduciary funds:

- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities and, therefore, have no measurement focus.

#### D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

#### E. Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of marketable securities, bonds, and short-term money market investments. Investments are carried at market value.

#### F. Interfund Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due from/to other funds" (i.e., the current portion of interfund loans).



*G. Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-50
Equipment and vehicles	5-20
Infrastructure	40

*H. Compensated Absences*

It is the government's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

*I. Long-Term Obligations*

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.

*J. Fund Equity*

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "Net Position".

Fund Balance - Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, net of related debt, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing 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. The remaining net position is reported as unrestricted.

#### K. Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

## 2. **Stewardship, Compliance, and Accountability**

### A. Budgetary Information

The Town's budget is originally prepared by the Selectmen's office with the cooperation of the various department heads. It is then submitted to the Budget Committee, in accordance with the Municipal Budget Law. After reviewing the budget, the Committee holds a public hearing for discussion.

The final version of the budget is then submitted for approval at the annual Town meeting. The approved budget is subsequently reported to

the State of New Hampshire on the statement of appropriation form in order to establish the current property tax rate.

The Selectmen cannot increase the total of the approved budget; however, they have the power to reclassify its components when necessary.

Formal budgetary integration is employed as a management control device during the year for the General Fund.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

*B. Budgetary Basis*

The general fund final appropriation appearing on the “Budget and Actual” page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

*C. Budget/GAAP Reconciliation*

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 7,794,100	\$ 7,040,278
Other financing sources/uses (GAAP Basis)	<u>233,478</u>	<u>388,120</u>
Subtotal (GAAP Basis)	8,027,578	7,428,398
Adjust tax revenue to accrual basis	(171,422)	-
Recognize use of fund balance as funding source	40,000	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(131,293)
Add end-of-year appropriation carryforwards from expenditures	-	203,662
To eliminate capital reserve activity	(7,690)	163,536
To reverse capital lease proceeds and related expenditure	(208,481)	(208,481)
Other GAAP timing differences	<u>(79,330)</u>	<u>(64,292)</u>
Budgetary Basis	<u>\$ 7,600,655</u>	<u>\$ 7,391,530</u>

*D. Budgetary Basis*

The capital projects fund reflected a deficit balance as of June 30, 2017. The deficit will be eliminated through a transfer from the general fund in fiscal year 2018 based on the passing of warrant article 26 of the 2017 Annual Town Meeting.

**3. Cash and Short-Term Investments**

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a Town with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of

the paid-up capital surplus of said bank.” The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2017, none of the Town’s bank balance of \$13,152,616 was exposed to custodial credit risk as uninsured or uncollateralized.

**4. Taxes Receivable**

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied. Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs and accrued interest. The accounts that are liened by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Taxes receivable at June 30, 2017 consist of the following:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate taxes	\$ 2,831,553	\$ (32,417)	\$ 2,799,136
Tax liens	139,055	(75,641)	63,414
Other	<u>64,916</u>	<u>(64,916)</u>	<u>-</u>
Total property taxes	<u>\$ 3,035,524</u>	<u>\$ (172,974)</u>	<u>\$ 2,862,550</u>

**5. Taxes Collected for Others**

The Town collects property taxes for the State of New Hampshire, the School District, the Little Boars Head Village District, and the County of Rockingham. Payments to the other taxing units are normally made throughout the year. The ultimate responsibility for the collection of taxes rests with the Town.

## 6. Interfund Fund Accounts

### Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the June 30, 2017 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 145,631	\$ 241,965
Nonmajor Funds:		
Special Revenue Funds		
Police Details	74,921	-
Recreation	13,314	-
Mosquito	13,000	-
PEG TV	13,518	-
Ambulance operating	2,420	-
Ambulance capital	20,508	-
Capital Projects Fund	-	31,703
Subtotal Nonmajor Funds	<u>137,681</u>	<u>31,703</u>
Agency	-	9,644
Total	<u>\$ 283,312</u>	<u>\$ 283,312</u>

### Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of major interfund transfers.

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 24,997	\$ 388,120
Nonmajor funds:		
Library*	388,120	-
Ambulance Capital	-	24,997
Total	<u>\$ 413,117</u>	<u>\$ 413,117</u>

\*Transfers represent annual funding.

## 7. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,317,710	\$ 46,289	\$ -	\$ 3,363,999
Machinery, equipment, and furnishings	3,014,899	264,152	(33,457)	3,245,594
Infrastructure	<u>1,440,823</u>	<u>266,877</u>	<u>-</u>	<u>1,707,700</u>
Total capital assets, being depreciated	7,773,432	577,318	(33,457)	8,317,293
Less accumulated depreciation for:				
Buildings and improvements	(1,421,812)	(75,054)	-	(1,496,866)
Machinery, equipment, and furnishings	(1,776,192)	(222,024)	33,457	(1,964,759)
Infrastructure	<u>(370,589)</u>	<u>(111,781)</u>	<u>-</u>	<u>(482,370)</u>
Total accumulated depreciation	<u>(3,568,593)</u>	<u>(408,859)</u>	<u>33,457</u>	<u>(3,943,995)</u>
Total capital assets, being depreciated, net	4,204,839	168,459	-	4,373,298
Capital assets, not being depreciated:				
Land	<u>7,881,739</u>	<u>-</u>	<u>-</u>	<u>7,881,739</u>
Total capital assets, not being depreciated	<u>7,881,739</u>	<u>-</u>	<u>-</u>	<u>7,881,739</u>
Governmental activities capital assets, net	<u>\$ 12,086,578</u>	<u>\$ 168,459</u>	<u>\$ -</u>	<u>\$ 12,255,037</u>

Depreciation expense was charged to functions of the Town as follows:

Governmental Activities:	
General government	\$ 56,637
Public safety	153,982
Highways & streets	189,189
Culture and recreation	<u>9,051</u>
Total depreciation expense - governmental activities	<u>\$ 408,859</u>

## 8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions, in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, are more fully discussed in Note 17.

## 9. Accounts Payable

Accounts payable represent fiscal year 2017 expenditures paid in 2018.

**10. Capital Lease Obligations**

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2021. Future minimum lease payments under the capital and operating leases consisted of the following as of June 30, 2017:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2018	\$ 81,241
2019	81,241
2020	51,922
2021	<u>26,622</u>
Total payments	241,026
Less amounts representing interest	<u>(16,880)</u>
Present Value of Minimum Lease Payments	<u>\$ 224,146</u>

**11. Long-Term Debt**

*A. General Obligation Bonds*

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/17</u>
Public works facility	2028	4.0 - 5.0 %	\$ 485,000
Conservation land acquisition	2037	4.0 - 5.0 %	1,845,000
State of NH Project # 329-01	2019	3.20%	27,414
State of NH Project # 329-02	2020	2.80%	7,266
General obligation bond	2032	3.83%	<u>580,000</u>
Total Governmental Activities:			<u>\$ 2,944,680</u>



**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2017 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 141,129	\$ 126,185	\$ 267,314
2019	141,129	118,224	259,353
2020	137,422	109,135	246,557
2021	145,000	103,356	248,356
2022	145,000	97,282	242,282
2023 - 2027	830,000	377,893	1,207,893
2028 - 2032	785,000	212,906	997,906
2033 - 2037	620,000	67,400	687,400
Total	<u>\$ 2,944,680</u>	<u>\$ 1,212,381</u>	<u>\$ 4,157,061</u>

The general fund has been designated as the source to repay the general obligation long-term debt outstanding as of June 30, 2017.

**C. Changes in General Long-Term Liabilities**

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	Total Balance <u>7/1/16</u>	Additions	Reductions	Total Balance <u>6/30/17</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/17</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 3,155,809	\$ -	\$ (211,129)	\$ 2,944,680	\$ (141,129)	\$ 2,803,551
Net pension liability	5,414,084	1,818,952	-	7,233,036	-	7,233,036
Net OPEB obligation	383,718	43,629	-	427,347	-	427,347
Other:						
Landfill closure	273,783	-	(22,816)	250,967	(22,816)	228,151
Compensated absences	174,488	81,091	-	255,579	(25,558)	230,021
Capital leases	109,308	208,481	(93,643)	224,146	(72,956)	151,190
Subtotal - other	<u>557,579</u>	<u>289,572</u>	<u>(116,459)</u>	<u>730,692</u>	<u>(121,330)</u>	<u>609,362</u>
Totals	<u>\$ 9,511,190</u>	<u>\$ 2,152,153</u>	<u>\$ (327,588)</u>	<u>\$ 11,335,755</u>	<u>\$ (262,459)</u>	<u>\$ 11,073,296</u>

**12. Landfill Closure and Postclosure Care Costs**

State and Federal laws and regulations require the North Hampton to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

The \$250,967 reported as landfill postclosure care liability at June 30, 2017 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in

2017. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

**13. Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The Town reports two items as deferred inflows of resources: one which is attributable to changes in the net pension liability, and the other which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds. Deferred inflows of resources related to pension will be recognized in pension expense in future years and is more fully described in Note 17. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

**14. Restricted Net Position**

The accompanying entity-wide financial statements report restricted net position when external constraints from grantors or contributors are placed on net position.

Permanent fund restricted net position is segregated between nonexpendable and expendable. The nonexpendable portion represents the original restricted principal contribution, and the expendable represents accumulated earnings which are available to be spent based on donor restrictions.

**15. Governmental Funds - Balances**

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The following types of fund balances are reported at June 30, 2017:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, capital reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and surplus set aside to be used in the subsequent year's budget.

Unassigned - Represents amounts that are available to be spent in future periods, and deficit funds.

Following is a breakdown of the Town's fund balances at June 30, 2017:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>			
Nonexpendable permanent funds	\$ -	\$ 481,540	\$ 481,540
Total Nonexpendable permanent funds	-	481,540	481,540
<b>Restricted</b>			
Grants and revolving funds	-	37,321	37,321
Police details	-	100,622	100,622
Recreation	-	10,679	10,679
Library	-	125,493	125,493
Mosquito	-	22,428	22,428
Heritage and sidewalk	-	7,370	7,370
PEG television	-	275,811	275,811
Ambulance operating	-	26,033	26,033
Ambulance capital	-	485,542	485,542
Conservation	-	307,340	307,340
Expendable permanent funds	-	20,506	20,506
Total Restricted	-	1,419,145	1,419,145
<b>Committed</b>			
Capital projects funding	31,703	-	31,703
Building maintenance	197,738	-	197,738
Library building	258,817	-	258,817
Tennis court	29,933	-	29,933
Fire Department	82	-	82
Information technology	9,516	-	9,516
Road reclamation	859	-	859
Town buildings	162,384	-	162,384
Coakley	221,417	-	221,417
Document management	37,126	-	37,126
Health stabilization	176,601	-	176,601
Accrued benefit liability	21,148	-	21,148
Earned time settlement	69,827	-	69,827
Paramedic training	24,259	-	24,259
Revaluation	63,759	-	63,759
Municipal transportation	52,418	-	52,418
EPA Stormwater	60,013	-	60,013
Total Committed	1,417,600	-	1,417,600
<b>Assigned</b>			
For encumbrances			
General government	21,600	-	21,600
Public safety	104,720	-	104,720
Public works	5,000	-	5,000
Culture and recreation	13,850	-	13,850
Capital outlay	58,492	-	58,492
Total Assigned	203,662	-	203,662
<b>Unassigned</b>			
General fund	2,450,999		2,450,999
Capital projects	-	(31,703)	(31,703)
Total Unassigned	2,450,999	(31,703)	2,419,296
Total Fund Balance	\$ 4,072,261	\$ 1,868,982	\$ 5,941,243

**16. General Fund Unassigned Fund Balance**

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in respect to how unassigned fund balance is reported in accordance with the budgetary basis for reporting for the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire considers revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$ 2,450,999
Unavailable revenue	181,761
Allowance for doubtful accounts	<u>(108,058)</u>
Tax Rate Setting Balance	<u>\$ 2,524,702</u>

**17. Retirement System**

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the State of New Hampshire Retirement System (NHRS).

*A. Plan Description*

Full-time employees participate in the New Hampshire Retirement System (NHRS), a cost-sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS annual report

publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

*B. Benefits Provided*

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

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

Members 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 earned compensation and/or service.

*C. Contributions*

Plan members are required to contribute a percentage of their gross earnings to the pension plan, for which the contribution rates are 7% for employees and teachers, 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.86% to 25.32% of covered compensation. The Town's contributions to NHRS for the year ended June 30, 2017 was \$532,397, which is equal to its annual required contribution.

D. Summary of Significant Accounting Policies

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 NHRS and additions to/deductions from NHRS' 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 benefit terms. Investments are reported at fair value.

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

At June 30, 2017, the Town reported a liability of \$7,233,036 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 an actuarial valuation as of June 30, 2015. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Town's proportion was 0.13602080 percent.

For the year ended June 30, 2017, the Town recognized pension expense of \$785,886. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 20,101	\$ 91,335
Changes of assumptions	890,157	-
Net difference between projected and actual earnings on pension plan investments	452,536	-
Changes in proportion and differences between contributions and proportionate share of contributions	18,856	53,519
Contributions subsequent to the measurement date	<u>532,397</u>	<u>-</u>
Total	<u>\$ 1,914,047</u>	<u>\$ 144,854</u>

\$532,397 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as pension expense in 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	\$ 237,568
2019	237,568
2020	405,698
2021	339,605
2022	<u>16,357</u>
Total	\$ <u>1,236,796</u>

*F. Actuarial Assumptions*

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5 percent per year
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.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:



Asset Class	Target Allocation Percentage	Weighted Average Average Long-Term Expected Real Rate of Return
Large Cap Equities	22.50 %	4.25%
Small/Mid Cap Equities	7.50	4.50%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.75%
Emerging Int'l Equities	7.00	6.25%
Total international equities	20.00	
Core Bonds	5.00	0.64%
Short Duration	2.00	-0.25%
Global Multi-Sector Fixed Income	11.00	1.71%
Absolute Return Fixed Income	7.00	1.08%
Total fixed income	25.00	
Private equity	5.00	6.25%
Private debt	5.00	4.75%
Opportunistic	5.00	3.68%
Real estate	10.00	3.25%
Total alternative investments	25.00	
Total	100.00 %	

**G. Discount Rate**

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the 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 service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

*H. Sensitivity of the 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 one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
\$ 9,293,958	\$ 7,233,036	\$ 5,523,827

*I. Pension Plan Fiduciary Net Position*

Detailed information about the pension plan’s fiduciary net position is available in the separately issued NHRS financial report.

**18. Post-Employment Healthcare and Life Insurance Benefits**

**Other Post-Employment Benefits**

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, 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 effect is the recognition of a required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

*A. Plan Description*

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town’s plan. The benefits, benefit levels, employee contributions, and employer contributions are governed by RSA 100-A:50. As of June 30, 2017, the valuation date, approximately 16 retirees and 35 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

*B. Benefits Provided*

The Town provides medical, prescription drug, mental health/substance abuse and life insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

*C. Funding Policy*

Retirees contribute 100% of the cost of the health plan, as determined by the Town. The Town contributes the remainder of the health plan costs on a pay-as-you-go basis.

*D. Annual OPEB Costs and Net OPEB Obligation*

The Town's fiscal 2017 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount determined using the alternative measurement method in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending June 30, 2017, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on the alternative measurement method of valuation as of June 30, 2017.

Annual Required Contribution (ARC)	\$ <u>117,081</u>
Annual OPEB cost	117,081
Contributions made	<u>(73,453)</u>
Increase in net OPEB obligation	43,628
Net OPEB obligation - beginning of year	<u>383,719</u>
Net OPEB obligation - end of year	\$ <u><u>427,347</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 117,081	62.7%	\$ 427,347
2016	\$ 42,823	161.8%	\$ 383,718
2015	\$ 140,972	93.1%	\$ 410,162

*E. Funded Status and Funding Progress*

The funded status of the plan as of June 30, 2017, the date of the most recent valuation, was as follows:

Accrued liability (AL)	\$ 703,691
Value of plan assets	<u>-</u>
Unfunded accrued liability (UAL)	<u>\$ 703,691</u>
Funded ratio (value of plan assets/AL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 2,635,942</u>
UAL as a percentage of covered payroll	<u>27%</u>

Alternative measurement method valuations of an ongoing plan are allowed for a sole employer with fewer than one hundred total plan members and involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future, similar to the broad measurement steps as would be used by an actuarial valuation for plans whose members exceed one hundred. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The Schedule of OPEB Funding Progress, presented as required supplementary information following the Notes to Financial Statements, presents multiyear trend information that shows whether the value of plan assets is increasing or decreasing over time relative to the accrued liabilities for benefits.

*F. Alternative Measurement Methods and Assumptions*

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

In the June 30, 2017 valuation, the alternative measurement method was used. The value of assets was not determined, as the Town has not advance funded its obligation. The amortization costs for the initial UAL is a level percentage of payroll for a period of 30 years, on a closed basis.

## **19. Commitments and Contingencies**

Outstanding Legal Issues - There are several pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Abatements - There are several cases pending before the New Hampshire Superior Court and Bureau of Tax and Land Appeals in regard to alleged discrepancies in property assessments. According to the Town's counsel, the probable outcome of these cases at the present time is indeterminable, although the Town expects such amounts, if any, to be immaterial.

## **20. Implementation of New GASB Standard**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, replacing requirements of Statements No. 45 and 57, effective for the Town beginning with its year ending June 30, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/ expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB.

**TOWN OF NORTH HAMPTON, NEW HAMPSHIRE**

**SCHEDULE OF PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY (GASB 68)**

**JUNE 30, 2017  
(Unaudited)**

New Hampshire Retirement System

---

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Percentage of the Total Pension Liability</u>
June 30, 2017	June 30, 2016	0.13602080%	\$7,233,036	\$ 2,453,285	294.83%	58.30%
June 30, 2016	June 30, 2015	0.13666659%	\$5,414,084	\$ 2,415,803	224.11%	65.47%
June 30, 2015	June 30, 2014	0.13595883%	\$5,103,331	\$ 2,320,089	219.96%	66.32%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available*

See Independent Auditors' Report.

TOWN OF NORTH HAMPTON, NEW HAMPSHIRE

SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

JUNE 30, 2017

(Unaudited)

---

New Hampshire Retirement System

---

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2017	\$ 532,397	\$ 532,397	\$ -	\$ 2,635,942	20.20%
June 30, 2016	\$ 488,567	\$ 488,567	\$ -	\$ 2,453,285	19.91%
June 30, 2015	\$ 458,671	\$ 458,671	\$ -	\$ 2,415,803	18.99%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available*

See Independent Auditors' Report.

**TOWN OF NORTH HAMPTON, NEW HAMPSHIRE  
SCHEDULE OF FUNDING PROGRESS (GASB 45)**

**June 30, 2017  
(Unaudited)**

**Other Post-Employment Benefits**

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
06/30/17	\$ -	\$ 703,691	\$ 703,691	0.0%	\$ 2,635,942	27%
06/30/16	\$ -	\$ 638,599	\$ 638,599	0.0%	\$ 2,453,285	27%
06/30/15	\$ -	\$ 1,299,690	\$ 1,299,690	0.0%	\$ 2,345,323	55%

See Independent Auditors' Report.