

**TOWN OF NORTH HAMPTON, NEW HAMPSHIRE**

**Annual Financial Statements**

**For the Year Ended June 30, 2018**

## 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)	48
Schedule of Pension Contributions (GASB 68)	49

**OPEB:**

Schedule of Proportionate Share of Net OPEB Liability – New Hampshire Retirement System Medical Subsidy (GASB 75)	50
Schedules of Changes in the Total OPEB Liability and Contributions – Town OPEB Plan (GASB 75)	51

## INDEPENDENT AUDITORS' REPORT

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

Additional Offices:  
Nashua, NH  
Andover, MA  
Greenfield, MA  
Ellsworth, ME

### **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, 2018, 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, 2018, 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 48 to 51 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*

November 26, 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, 2018.

### **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 \$8,081,805 (i.e., net position), a change of \$1,328,263 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$6,670,522, a change of \$729,510 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,306,024, a change of \$(144,975) 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.

	<u>NET POSITION</u>	
	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 17,183,416	\$ 15,607,282
Capital assets	<u>12,403,026</u>	<u>12,255,037</u>
Total assets	29,586,442	27,862,319
Deferred outflows of resources	1,752,960	1,914,047
Current liabilities	1,169,725	900,578
Noncurrent liabilities	<u>12,363,428</u>	<u>11,073,296</u>
Total liabilities	13,533,153	11,973,874
Deferred inflows of resources	9,724,444	9,172,901
Net position:		
Net investment in capital assets	9,448,285	9,054,508
Restricted	2,348,596	1,900,454
Unrestricted	<u>(3,715,076)</u>	<u>(2,325,371)</u>
Total net position	<u>\$ 8,081,805</u>	<u>\$ 8,629,591</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 \$8,081,805, a change of \$1,328,263 from the prior year.

The largest portion of net position, \$9,448,285, 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, \$2,348,596, 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 \$(3,715,076), primarily resulting from the Town's unfunded net pension liability.



CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 610,027	\$ 625,129
Operating grants and contributions	287,537	35,304
General revenues:		
Property taxes	5,609,806	5,725,338
Motor vehicle permits and fees	1,571,025	1,519,112
Grants and contributions not restricted to specific programs	566,493	339,386
Investment income	37,309	16,712
Other	52,751	96,931
Total revenues	<u>8,734,948</u>	<u>8,357,912</u>
Expenses:		
General government	1,868,071	1,776,549
Public safety	3,438,940	3,732,249
Highways and streets	1,192,304	1,179,167
Sanitation	98,393	105,387
Health and welfare	24,914	19,336
Culture and recreation	664,112	659,406
Conservation	11,417	11,042
Interest on long-term debt	108,534	119,087
Total expenses	<u>7,406,685</u>	<u>7,602,223</u>
Change in net position	1,328,263	755,689
Net position - beginning of year, as restated	<u>6,753,542</u>	<u>7,873,902</u>
Net position - end of year	<u>\$ 8,081,805</u>	<u>\$ 8,629,591</u>

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$1,328,263. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 249,666
Other governmental funds operations	479,844
Depreciation expense in excess of principal debt service	(234,039)
Change in Net Pension and Net OPEB liabilities, including deferred outflows and inflows	68,541
Capital assets acquired from revenue sources	596,113
Other	168,138
Total	<u>\$ 1,328,263</u>

**D. FINANCIAL ANALYSIS OF 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 \$6,670,522, a change of \$729,510 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 249,666
Nonmajor funds operating results:	
Library	246,698
Ambulance capital	171,379
Other	<u>61,767</u>
Total	<u>\$ 729,510</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 \$2,306,024, while total fund balance was \$4,321,927. 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>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>	<u>% of Total General Fund Appropriations including School &amp; County</u>
Unassigned fund balance	\$ 2,306,024	\$ 2,450,999	\$ (144,975)	12.3%
Total fund balance	\$ 4,321,927	\$ 4,072,261	\$ 249,666	20.4%

The total fund balance of the general fund changed by \$249,666 during the current fiscal year. Key factors in this change are as follows:

Use of fund balances as a funding source	\$ (81,703)
Revenues in excess of budget	350,332
Expenditures less than budget	143,417
Tax collections as compared to budget	(36,724)
Expenditures of prior year encumbrances	(56,556)
Change in capital reserves	<u>(69,100)</u>
Total	<u>\$ 249,666</u>

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

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
Capital reserves	\$ <u>1,316,797</u>	\$ <u>1,385,897</u>	\$ <u>(69,100)</u>
Total	\$ <u><u>1,316,797</u></u>	\$ <u><u>1,385,897</u></u>	\$ <u><u>(69,100)</u></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 \$12,403,026 (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 \$303,522
- SCBA Units \$117,549
- LED Street Light Conversion \$32,510
- Stretcher Power Lift System \$25,255
- Cable PEG TV Equipment \$23,229

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 \$2,803,551, 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**

The unassigned General Fund balance at the end of the 2018 fiscal year was \$2,306,024. The fund balance is used to support the irregular cash flow requirements of payments to the School, County, Village District and State for taxes collected on their behalf. The Town has identified significant activities or events, which will have an impact on future Town finances, including:

1. At the 2018 Annual Town Meeting the taxpayers approved a combined \$8,037,802 for its operating budget and other capital and financial articles. This includes \$552,000 of unassigned General Fund balance and \$122,000 in transfers from other funds to fund various warrant articles.
2. In the spring of 2018 the Town began a full revaluation of assessed property. This is done every 5 years. The revaluation completed in the fall of 2018 resulted in a 16.1% increase in net valuation.
3. 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.
4. 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.
5. 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 provides health insurance to eligible individuals under a high deductible plan, which should promote health rate stability.
6. 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, 2018

	<u>Governmental Activities</u>
<b>ASSETS</b>	
Current:	
Cash and short-term investments	\$ 13,550,094
Receivables, net of allowance for uncollectibles:	
Property taxes	3,412,854
Departmental and other	84,990
Other assets	55,058
Internal balances	1,988
Noncurrent:	
Property taxes	78,432
Capital assets:	
Capital assets being depreciated, net of accumulated depreciation	4,521,287
Capital assets not being depreciated	7,881,739
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pensions	1,655,464
Related to OPEB	97,496
	31,339,402
<b>LIABILITIES</b>	
Current:	
Accounts payable	253,743
Accrued liabilities	240,233
Tax refunds payable	114,418
Other current liabilities	300,598
Current portion of long-term liabilities:	
Bonds payable	141,129
Other	119,604
Noncurrent:	
Bonds payable, net of current portion	2,662,422
Net pension liability	7,147,188
Net OPEB liability	2,084,715
Other, net of current portion	469,103
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions	217,956
Related to OPEB	1,799
Other	9,504,689
	23,257,597
<b>NET POSITION</b>	
Net investment in capital assets	9,448,285
Restricted for:	
Grants and other statutory restrictions	1,821,633
Permanent funds:	
Nonexpendable	505,753
Expendable	21,210
Unrestricted	(3,715,076)
	\$ 8,081,805

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, 2018

		<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	\$ 1,868,071	\$ 174,568	\$ -	\$ -	\$ (1,693,503)
Public safety	3,438,940	293,720	39,923	-	(3,105,297)
Highways and streets	1,192,304	-	-	-	(1,192,304)
Sanitation	98,393	12,160	-	-	(86,233)
Health and welfare	24,914	-	-	-	(24,914)
Culture and recreation	664,112	129,579	247,614	-	(286,919)
Conservation	11,417	-	-	-	(11,417)
Interest on long-term debt	108,534	-	-	-	(108,534)
Total Governmental Activities	<u>\$ 7,406,685</u>	<u>\$ 610,027</u>	<u>\$ 287,537</u>	<u>\$ -</u>	(6,509,121)
		General Revenues:			
					5,609,806
					1,571,025
					566,493
					37,309
					52,751
					<u>7,837,384</u>
					1,328,263
		<b>Net Position:</b>			
					<u>6,753,542</u>
					<u>\$ 8,081,805</u>

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

TOWN OF NORTH HAMPTON, NEW HAMPSHIRE  
GOVERNMENTAL FUNDS  
BALANCE SHEET  
JUNE 30, 2018

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>			
Cash and short-term investments	\$ 11,292,303	\$ 2,020,428	\$ 13,312,731
Investments	-	237,363	237,363
Receivables:			
Property taxes	3,632,225	-	3,632,225
Departmental and other	-	84,990	84,990
Due from other funds	27,915	105,317	133,232
Other assets	53,006	2,052	55,058
<b>TOTAL ASSETS</b>	<b>\$ 15,005,449</b>	<b>\$ 2,450,150</b>	<b>\$ 17,455,599</b>
<b>LIABILITIES</b>			
Accounts payable	\$ 246,603	\$ 7,140	\$ 253,743
Retainage payable	146,987	-	146,987
Due to other funds	121,819	9,425	131,244
Due to other governments	5,791	-	5,791
Other liabilities	409,225	-	409,225
<b>TOTAL LIABILITIES</b>	<b>930,425</b>	<b>16,565</b>	<b>946,990</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenues	3,661,262	84,990	3,746,252
Property tax paid in advance	6,091,835		6,091,835
<b>FUND BLANCES</b>			
Nonspendable	-	505,753	505,753
Restricted	-	1,842,842	1,842,842
Committed	1,868,797	-	1,868,797
Assigned	147,106	-	147,106
Unassigned	2,306,024	-	2,306,024
<b>TOTAL FUND BALANCES</b>	<b>4,321,927</b>	<b>2,348,595</b>	<b>6,670,522</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 15,005,449</b>	<b>\$ 2,450,150</b>	<b>\$ 17,455,599</b>

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, 2018

<b>Total governmental fund balances</b>	\$	6,670,522
<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>		12,403,026
<ul style="list-style-type: none"> <li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li> </ul>		192,459
<ul style="list-style-type: none"> <li>• Long-term liabilities, including bonds payable, net pension liability and net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.</li> </ul>		(12,624,161)
<ul style="list-style-type: none"> <li>• Other</li> </ul>		<u>1,439,959</u>
<b>Net position of governmental activities</b>	<b>\$</b>	<b><u><u>8,081,805</u></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, 2018

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues:</b>			
Taxes	\$ 5,527,680	\$ 15,857	\$ 5,543,537
Licenses and permits	1,571,025	-	1,571,025
Intergovernmental	606,416	247,187	853,603
Charges for services	82,962	519,874	602,836
Investment income	30,304	7,005	37,309
Miscellaneous	12,119	23,894	36,013
Total Revenues	<u>7,830,506</u>	<u>813,817</u>	<u>8,644,323</u>
<b>Expenditures:</b>			
Current:			
General government	1,719,274	128,286	1,847,560
Public safety	3,360,473	94,137	3,454,610
Highways and streets	1,062,331	-	1,062,331
Sanitation	121,209	-	121,209
Welfare	24,914	-	24,914
Culture and recreation	90,829	511,282	602,111
Conservation	11,417	-	11,417
Debt service	331,103	-	331,103
Capital outlay	459,558	-	459,558
Total Expenditures	<u>7,181,108</u>	<u>733,705</u>	<u>7,914,813</u>
Excess (deficiency) of revenues over (under) expenditures	649,398	80,112	729,510
<b>Other Financing Sources (Uses):</b>			
Transfers in	22,434	422,166	444,600
Transfers out	(422,166)	(22,434)	(444,600)
Total Other Financing Sources (Uses)	<u>(399,732)</u>	<u>399,732</u>	<u>-</u>
Changes in fund balances	249,666	479,844	729,510
Fund Balances, at Beginning of Year	<u>4,072,261</u>	<u>1,868,751</u>	<u>5,941,012</u>
Fund Balances, at End of Year	<u>\$ 4,321,927</u>	<u>\$ 2,348,595</u>	<u>\$ 6,670,522</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, 2018

<b>Net change in fund balances - total governmental funds</b>	<b>\$ 729,510</b>																
<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> <tr> <td style="padding-left: 20px;">Capital outlay</td> <td style="text-align: right;">596,113</td> </tr> <tr> <td style="padding-left: 20px;">Depreciation</td> <td style="text-align: right;">(448,124)</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> <tr> <td style="padding-left: 20px;">Repayments of debt</td> <td style="text-align: right;">141,129</td> </tr> <tr> <td style="padding-left: 20px;">Repayment of capital lease</td> <td style="text-align: right;">72,956</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> <tr> <td></td> <td style="text-align: right;">90,625</td> </tr> </table> </li> <li>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: <table> <tr> <td style="padding-left: 20px;">Net pension liability and related deferred outflows and inflows of resources</td> <td style="text-align: right;">(245,837)</td> </tr> <tr> <td style="padding-left: 20px;">Net OPEB liability and related deferred outflows and inflows of resources</td> <td style="text-align: right;">314,378</td> </tr> </table> </li> <li>Other <table> <tr> <td></td> <td style="text-align: right;"><u>77,513</u></td> </tr> </table> </li> </ul>		Capital outlay	596,113	Depreciation	(448,124)	Repayments of debt	141,129	Repayment of capital lease	72,956		90,625	Net pension liability and related deferred outflows and inflows of resources	(245,837)	Net OPEB liability and related deferred outflows and inflows of resources	314,378		<u>77,513</u>
Capital outlay	596,113																
Depreciation	(448,124)																
Repayments of debt	141,129																
Repayment of capital lease	72,956																
	90,625																
Net pension liability and related deferred outflows and inflows of resources	(245,837)																
Net OPEB liability and related deferred outflows and inflows of resources	314,378																
	<u>77,513</u>																
<b>Change in net position of governmental activities</b>	<b>\$ <u><u>1,328,263</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, 2018

	Original Budget	Final Budget	Actual Amounts	Variance With Final Budget Positive (Negative)
<b>Revenues:</b>				
Taxes	\$ 5,564,404	\$ 5,564,404	\$ 5,564,404	\$ -
Licenses and permits	1,455,645	1,455,645	1,571,025	115,380
Intergovernmental	336,429	336,429	518,644	182,215
Charges for services	37,650	37,650	42,905	5,255
Investment income	11,500	11,500	21,097	9,597
Miscellaneous	1,250	1,250	16,701	15,451
Transfers in	30,000	30,000	52,434	22,434
Use of fund balance	81,703	81,703	81,703	-
Total Revenues	<u>7,518,581</u>	<u>7,518,581</u>	<u>7,868,913</u>	<u>350,332</u>
<b>Expenditures:</b>				
General government	1,437,088	1,437,088	1,579,145	(142,057)
Public safety	3,600,288	3,600,288	3,272,959	327,329
Highways and streets	964,935	964,935	1,061,020	(96,085)
Sanitation	144,637	144,637	121,209	23,428
Welfare	29,926	29,926	24,914	5,012
Culture and recreation	67,187	67,187	75,165	(7,978)
Conservation	12,800	12,800	11,417	1,383
Debt service	334,794	334,794	331,103	3,691
Capital outlay	429,760	429,760	401,066	28,694
Transfers out	497,166	497,166	497,166	-
Total Expenditures	<u>7,518,581</u>	<u>7,518,581</u>	<u>7,375,164</u>	<u>143,417</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>493,749</u>	\$ <u>493,749</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, 2018

	Private Purpose Trust <u>Fund</u>	Agency Fund
<b><u>ASSETS</u></b>		
Cash and short-term investments	\$ <u>568,095</u>	\$ <u>24,257</u>
Total Assets	568,095	24,257
<b><u>LIABILITIES</u></b>		
Due to external parties	-	1,988
Other liabilities	-	<u>22,269</u>
Total Liabilities	<u>-</u>	<u>24,257</u>
<b><u>NET POSITION</u></b>		
Total net position held in trust	\$ <u><u>568,095</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, 2018

	<u>Private Purpose Trust Fund</u>
<b>Additions:</b>	
Gifts and contributions	\$ 278,284
<b>Deductions:</b>	
General expenses	<u>101,331</u>
Net change	176,953
<b>Net position:</b>	
Beginning of year	<u>391,142</u>
End of year	<u><u>\$ 568,095</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 2018, 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, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension 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)	\$ 7,830,506	\$ 7,181,108
Other financing sources/uses (GAAP Basis)	<u>22,434</u>	<u>422,166</u>
Subtotal (GAAP Basis)	7,852,940	7,603,274
Adjust tax revenue to accrual basis	36,724	-
Recognize use of fund balance as funding source	81,703	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(203,662)
Add end-of-year appropriation carryforwards from expenditures	-	147,106
To eliminate capital reserve activity	(14,682)	(83,782)
Other GAAP timing differences	<u>(87,772)</u>	<u>(87,772)</u>
Budgetary Basis	<u>\$ 7,868,913</u>	<u>\$ 7,375,164</u>

### 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, 2018, \$31,296 of the Town's bank balance of \$14,249,215 was exposed to custodial credit risk as uninsured or uncollateralized.

#### 4. Property 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.

Property taxes receivable at June 30, 2018 consist of the following:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate taxes	\$ 3,412,854	\$ -	\$ 3,412,854
Tax liens	149,917	(71,485)	78,432
Other	69,454	(69,454)	-
Total property taxes	<u>\$ 3,632,225</u>	<u>\$ (140,939)</u>	<u>\$ 3,491,286</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, 2018 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 27,915	\$ 121,819
Nonmajor Funds:		
Special Revenue Funds:		
Police Details	-	8,474
Recreation	14,460	-
Heritage & Sidewalk	-	831
PEG TV	9,951	-
Ambulance operating	4,609	-
Ambulance capital	65,557	-
Conservation	10,740	-
Permanent trust funds	-	120
Subtotal Nonmajor Funds	<u>105,317</u>	<u>9,425</u>
Agency	<u>-</u>	<u>1,988</u>
Total	<u>\$ 133,232</u>	<u>\$ 133,232</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	\$ 22,434	\$ 422,166
Nonmajor funds:		
Library*	390,463	-
Mosquito	-	22,434
Capital Project Funds	<u>31,703</u>	<u>-</u>
Total	<u>\$ 444,600</u>	<u>\$ 444,600</u>

\*Transfers represent annual funding.

The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

## 7. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,363,999	\$ 45,690	\$ -	\$ 3,409,689
Machinery, equipment, and furnishings	3,245,594	199,043	(27,500)	3,417,137
Infrastructure	<u>1,707,700</u>	<u>351,380</u>	<u>-</u>	<u>2,059,080</u>
Total capital assets, being depreciated	8,317,293	596,113	(27,500)	8,885,906
Less accumulated depreciation for:				
Buildings and improvements	(1,496,866)	(75,207)	-	(1,572,073)
Machinery, equipment, and furnishings	(1,964,759)	(242,231)	27,500	(2,179,490)
Infrastructure	<u>(482,370)</u>	<u>(130,686)</u>	<u>-</u>	<u>(613,056)</u>
Total accumulated depreciation	<u>(3,943,995)</u>	<u>(448,124)</u>	<u>27,500</u>	<u>(4,364,619)</u>
Total capital assets, being depreciated, net	4,373,298	147,989	-	4,521,287
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>\$ 12,255,037</u>	<u>\$ 147,989</u>	<u>\$ -</u>	<u>\$ 12,403,026</u>

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

<b>Governmental Activities:</b>	
General government	\$ 60,956
Public safety	162,083
Highways & streets	215,349
Culture and recreation	<u>9,736</u>
Total depreciation expense - governmental activities	<u>\$ 448,124</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 and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.



**9. Accounts Payable**

Accounts payable represent fiscal year 2018 expenditures paid in 2019.

**10. Tax Refunds Payable**

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Board of Tax and Land Appeals.

**11. 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, 2018:

	<u>Fiscal Year</u>	<u>Capital Leases</u>
	2019	\$ 81,241
	2020	51,922
	2021	<u>26,622</u>
Total payments		159,785
Less amounts representing interest		<u>(8,595)</u>
Present Value of Minimum Lease Payments		<u>\$ 151,190</u>

**12. 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 6/30/18</u>
Public works facility	2028	4.0 - 5.0 %	\$ 450,000
Conservation land acquisition	2037	4.0 - 5.0 %	1,785,000
State of NH Project # 329-01	2019	3.20%	13,707
State of NH Project # 329-02	2020	2.80%	4,844
General obligation bond	2032	3.83%	<u>550,000</u>
Total Governmental Activities			<u>\$ 2,803,551</u>

**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2018 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	155,000	88,513	243,513
2024 - 2028	860,000	343,955	1,203,955
2029 - 2033	710,000	182,231	892,231
2034 - 2038	510,000	43,500	553,500
Total	\$ <u>2,803,551</u>	\$ <u>1,086,196</u>	\$ <u>3,889,747</u>

The general fund has been designated as the source to repay the general obligation long-term debt outstanding as of June 30, 2018.

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

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	Total Balance <u>7/1/17</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/18</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/18</u>
<b><u>Governmental Activities</u></b>						
Bonds payable	\$ 2,944,680	\$ -	\$ (141,129)	\$ 2,803,551	\$ (141,129)	\$ 2,662,422
Net pension liability	7,233,036	-	(85,848)	7,147,188	-	7,147,188
Net OPEB liability	2,377,316	-	(292,601)	2,084,715	-	2,084,715
Other:						
Landfill closure	250,967	-	(22,816)	228,151	(22,816)	205,335
Compensated absences	255,579	-	(46,213)	209,366	(20,937)	188,429
Capital leases	224,146	-	(72,956)	151,190	(75,851)	75,339
Subtotal - other	730,692	-	(141,985)	588,707	(119,604)	469,103
Totals	\$ <u>13,285,724</u>	\$ <u>-</u>	\$ <u>(661,563)</u>	\$ <u>12,624,161</u>	\$ <u>(260,733)</u>	\$ <u>12,363,428</u>

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

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

The \$228,151 reported as landfill postclosure care liability at June 30, 2018 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2018. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

#### **14. 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. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes. *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.

#### **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 Town has implemented *GASB Statement No. 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at June 30, 2018:

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, 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, 2018:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable</b>			
Nonexpendable permanent funds	\$ -	\$ 505,753	\$ 505,753
Total Nonexpendable permanent funds	-	505,753	505,753
<b>Restricted</b>			
Grants and revolving funds	-	37,451	37,451
Police details	-	105,341	105,341
Recreation	-	20,551	20,551
Library	-	372,191	372,191
Heritage and sidewalk	-	8,439	8,439
PEG television	-	279,875	279,875
Ambulance operating	-	21,717	21,717
Ambulance capital	-	656,921	656,921
Conservation	-	319,146	319,146
Expendable permanent funds	-	21,210	21,210
Total Restricted	-	1,842,842	1,842,842
<b>Committed</b>			
General government	22,000	-	22,000
Public works	180,000	-	180,000
Culture and recreation	80,000	-	80,000
Earned time settlement	70,000	-	70,000
Building maintenance	100,000	-	100,000
Town buildings	100,000	-	100,000
Building maintenance	198,900	-	198,900
Library building	334,144	-	334,144
Tennis court	30,128	-	30,128
Fire Department	82	-	82
Information technology	1,278	-	1,278
Road reclamation	1	-	1
Town buildings	163,446	-	163,446
Coakley	163,634	-	163,634
Document management	34,578	-	34,578
Health stabilization	177,758	-	177,758
Accrued benefit liability	8,569	-	8,569
Earned time settlement	19,997	-	19,997
Paramedic training	24,418	-	24,418
Revaluation	44,090	-	44,090
Municipal transportation	58,368	-	58,368
EPA Stormwater	57,406	-	57,406
Total Committed	1,868,797	-	1,868,797
<b>Assigned</b>			
For encumbrances			
General government	34,577	-	34,577
Public safety	17,207	-	17,207
Public works	7,550	-	7,550
SB 38 Highway Block Grant	87,772	-	87,772
Total Assigned	147,106	-	147,106
<b>Unassigned</b>			
General fund	2,306,024	-	2,306,024
Total Fund Balance	\$ 4,321,927	\$ 2,348,595	\$ 6,670,522

**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	\$ 2,306,024
Unavailable revenue	190,333
Allowance for abatements	(71,485)
Other	<u>(89,811)</u>
Tax Rate Setting Balance	<u>\$ 2,335,061</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 1 benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service, and a benefit multiplier depending on vesting status as of January 1, 2012. The maximum retirement allowance for Group II members vested by January 1, 2012 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by January 1, 2012, the benefit is calculated the same way but the multiplier used in the calculation will change depending on age and years of creditable service, as follows:

<u>Years of creditable service as of January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum Service</u>	<u>Benefit Multiplier</u>
At least 3 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	12	2.2%
Less than 4 years	49	24	2.1%

**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 11.08% to 27.79% of covered compensation. The Town’s contributions to NHRS for the year ended June 30, 2018 was \$582,185, 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, 2018, the Town reported a liability of \$7,147,188 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. 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, 2018, the Town's proportion was 0.14532733 percent.

For the year ended June 30, 2018, the Town recognized pension expense of \$828,022. 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	\$ 16,206	\$ 90,963
Changes of assumptions	717,672	-
Net difference between projected and actual earnings on pension plan investments	-	91,023
Changes in proportion and differences between contributions and proportionate share of contributions	339,401	35,970
Contributions subsequent to the measurement date	<u>582,185</u>	<u>-</u>
Total	<u>\$ 1,655,464</u>	<u>\$ 217,956</u>



The \$582,185 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as pension expense in 2019. 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:	
2019	\$ 201,436
2020	380,740
2021	309,845
2022	<u>(36,698)</u>
Total	<u>\$ 855,323</u>

*F. Actuarial Assumptions*

The total pension liability in the June 30, 2016 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, 2016 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	4.50%
Emerging Int'l Equities	7.00	6.25%
Total international equities	20.00	
Core Bonds	5.00	0.75%
Short Duration	2.00	-0.25%
Global Multi-Sector Fixed Income	11.00	2.11%
Absolute Return Fixed Income	7.00	1.26%
Total fixed income	25.00	
Private equity	5.00	6.25%
Private debt	5.00	4.75%
Opportunistic	5.00	2.84%
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>
\$ 9,416,061	\$ 7,147,188	\$ 5,287,936

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. Other Post-Employment Benefits (GASB 75)**

*GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

A. Town OPEB Plan

All the following OPEB disclosures are based on a measurement date of June 30, 2017.

General Information about the OPEB Plan

Plan Description

The Town indirectly provides post-employment healthcare for retired employees through an implicit rate covered by current employees. Retirees of the Town who participate in this single-employer plan pay 100% of the healthcare premiums to participate in the Town’s healthcare program. Since they are included in the same pool as active employees, the insurance rates are implicitly higher for current employees due to the

age consideration. This increased rate is an implicit subsidy the Town pays for the retirees.

The Town's OPEB plan is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

Benefits Provided

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

Plan Membership

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	7
Active employees	<u>34</u>
Total	<u><u>41</u></u>

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the alternative measurement method as of June 30, 2017, in accordance with the parameters of GASB Statement No. 75. 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 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. The alternative measurement method used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent per year
Salary increases	3.25 percent average, including inflation
Discount rate	3.56 percent
Healthcare cost trend rates	9 percent as of 2017, decreasing to an ultimate rate of 5 percent in 8 years.
Retirees' share of benefit-related costs	100 percent

The discount rate was based on the long-term municipal bond rate at June 30, 2017.

Mortality rates were based on mortality tables at the National Center for Health Statistics. The 2014 United States Life Tables for Males and Females were used.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent experience study of the New Hampshire Retirement System, which was for the period July 1, 2010 – June 30, 2015.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Total OPEB Liability

The Town's total OPEB liability of \$1,514,466 was measured as of June 30, 2017, and was determined by the alternative method as of June 30, 2017.

Changes in the Total OPEB Liability

	Total OPEB <u>Liability</u>
Balances at 6/30/2017	\$ 1,821,028
Changes for the year:	
Service cost	111,484
Interest	53,915
Changes in assumptions or other inputs	(317,478)
Benefit payments	<u>(154,483)</u>
Net Changes	<u>(306,562)</u>
Balances at 6/30/2018	\$ <u><u>1,514,466</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.92 percent in 2016 to 3.56 percent in 2017. All other assumptions were the same as those used in the previous measurement.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
\$ 1,856,089	\$ 1,514,466	\$ 1,254,864

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease (8%)	Current Healthcare Cost Trend Rates (9%)	1% Increase (10%)
\$ 1,409,350	\$ 1,514,466	\$ 1,625,094

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the Town recognized an OPEB expense of \$144,326. At June 30, 2018, the Town did not have any deferred outflows or inflows of resources related to the Total OPEB liability.

B. New Hampshire Retirement System Medical Subsidy Plan Description

General Information about the OPEB Plan

Plan Description

In addition to the Town's OPEB plan discussed above, the Town participates in the New Hampshire Retirement System (NHRS) Medical Subsidy. The NHRS administers a cost-sharing, multiple-employer other post-employment benefit plan (OPEB Plan) for retiree health insurance subsidies. Benefit amounts and eligibility requirements are set by state law, and members are designated by type. The four membership types are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees and Group I State Employees. Collectively, they are referred to as the OPEB Plan.

### Benefits Provided

The NHRS Medical Subsidy Plan provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS to the former employer or their insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving OPEB Plan benefits differ for Group I and Group II members. The monthly Medical Subsidy rates are:

1 Person -	\$375.56
2 Person -	\$751.12
1 Person Medicare Supplement -	\$236.84
2 Person Medicare Supplement -	\$473.68

### Actuarial Assumptions and Other Inputs

The Town's proportionate share of the NHRS Medical Subsidy as of June 30, 2018 is based upon an actuarial valuation performed as of June 30, 2016 (rolled forward to June 30, 2017) using a measurement date of June 30, 2017. The actuarial valuation used the following actuarial assumptions:

Price inflation	2.50%
Wage inflation	3.25%
Salary increases	5.60%
Investment rate of return	7.25%
Discount rate	7.25%

Mortality rates were based on the RP-2014 healthy annuitant and employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent experience study, which was for the period July 1, 2010 – June 30, 2015.

### Net OPEB Liability, Expense, and Deferred Outflows and Inflows

The Town's proportionate share of the net NHRS Medical Subsidy (net OPEB liability) as of the measurement date of June 30, 2017 was \$570,249.

For the year ended June 30, 2018, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$75,415. At June 30, 2018, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 83,230	\$ -
Changes in proportion	14,266	-
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>1,799</u>
Total	<u>\$ 97,496</u>	<u>\$ 1,799</u>

The \$83,230 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ending June 30, 2019.

Other amounts reported as deferred outflows and inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	
2019	\$ 13,816
2020	(450)
2021	(450)
2022	<u>(449)</u>
Total	<u>\$ 12,467</u>

*Sensitivity of the Net NHRS Medical Subsidy OPEB Liability to Changes in the Discount Rate*

The following presents the net OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 620,601	\$ 570,249	\$ 526,624



C. Consolidation of Total/Net OPEB Liabilities and Related Deferred Outflows and Inflows

The following consolidates the Town’s total OPEB liability and related deferred outflows/inflows, and the Town’s proportionate share of the NHRS Medical Subsidy net OPEB liability and related deferred outflows/inflows at June 30, 2018:

	Total/Net OPEB Liability	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources
Town OPEB Plan	\$ 1,514,466	\$ -	\$ -
Proportionate share of NHRS Medical Subsidy Plan	<u>570,249</u>	<u>97,496</u>	<u>1,799</u>
Total	<u>\$ 2,084,715</u>	<u>\$ 97,496</u>	<u>\$ 1,799</u>

**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. Beginning Net Position Restatement**

The beginning (July 1, 2017) net position of the Town has been restated in order to implement GASB 75.

Government-Wide Financial Statements:

	<u>Governmental Activities</u>
As previously reported	\$ 8,629,591
Implementation of GASB 75 OPEB	<u>(1,876,049)</u>
As restated	<u>\$ 6,753,542</u>

**TOWN OF NORTH HAMPTON, NEW HAMPSHIRE**

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

**JUNE 30, 2018  
(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, 2018	June 30, 2017	0.14532733%	\$7,147,188	\$ 2,635,942	271.14%	62.66%
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, 2018**  
**(Unaudited)**

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	June 30, 2017	\$ 582,185	\$ 582,185	\$ -	\$ 2,712,950	21.46%
June 30, 2017	June 30, 2016	\$ 532,397	\$ 532,397	\$ -	\$ 2,635,942	20.20%
June 30, 2016	June 30, 2015	\$ 488,567	\$ 488,567	\$ -	\$ 2,453,285	19.91%
June 30, 2015	June 30, 2014	\$ 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 PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY (GASB 75)**

**JUNE 30, 2018  
(Unaudited)**

New Hampshire Retirement System Medical Subsidy

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Net OPEB Liability</u>
June 30, 2018	June 30, 2017	0.12471722%	\$570,249	\$2,635,942	21.63%	7.91%
June 30, 2017	June 30, 2016	0.11491046%	\$556,288	\$2,453,285	22.68%	5.21%

*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**

**SCHEDULES OF CHANGES IN THE TOTAL OPEB LIABILITY AND CONTRIBUTIONS (GASB 75)**

(Unaudited)

North Hampton OPEB Plan \*

**Changes in Total OPEB Liability**

	<u>2018</u>
<b>Total OPEB liability</b>	
Service cost	\$ 111,484
Interest on unfunded liability - time value of money	53,915
Changes of assumptions	(317,478)
Benefit payments, including refunds of member contributions	<u>(154,483)</u>
Net change in total OPEB liability	(306,562)
Total OPEB liability - beginning	<u>1,821,028</u>
Total OPEB liability - ending	<u><u>\$ 1,514,466</u></u>
 Covered employee payroll	 \$ 2,712,950
Total OPEB liability as a percentage of covered employee payroll	55.82%

Does not include New Hampshire Retirement System Medical Subsidy.

**Schedule of Contributions**

	<u>2018</u>
Actuarially determined contribution	\$ 154,483
Contributions in relation to the actuarially determined contribution	<u>154,483</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>
 Covered employee payroll	 \$ 2,712,950
Contributions as a percentage of covered employee payroll	5.69%

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

\* Does not include New Hampshire Retirement System Medical Subsidy.

See notes to financial statements for summary of significant actuarial methods and assumptions and Independent Auditors' Report.