

**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**

**Financial Statements**

**December 31, 2017**

**and**

**Independent Auditor's Report**

**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**FINANCIAL STATEMENTS**  
**December 31, 2017**

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**TOWN OF NEW HAMPTON, NEW HAMPSHIRE  
FINANCIAL STATEMENTS  
December 31, 2017**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Selectmen  
Town of New 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 New Hampton, New Hampshire, as of and for the year ended December 31, 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***

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

### ***Auditor's Responsibility***

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

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

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

### ***Basis for Adverse Opinion on Governmental Activities***

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

### ***Adverse Opinion***

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on Governmental Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town of New Hampton, New Hampshire, as of December 31, 2017, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Town of New Hampton, New Hampshire, as of December 31, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

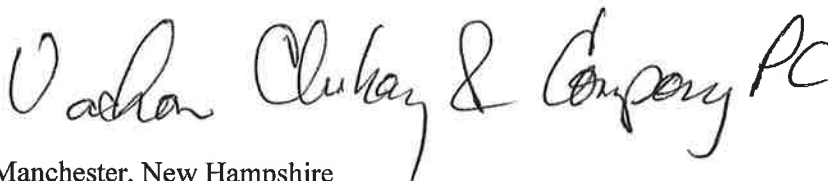
Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, budgetary comparison information, the schedule of changes in the Town’s proportionate share of the net pension liability, and the schedule of Town contributions on pages i-vii and 28-30 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of New Hampton, New Hampshire’s basic financial statements. The

combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

A handwritten signature in cursive script that reads "Vashan Chikay & Company PC". The signature is written in black ink and is positioned above the typed text.

Manchester, New Hampshire  
October 12, 2018

**TOWN OF NEW HAMPTON, NEW HAMPSHIRE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDING DECEMBER 31, 2017**

The following is a discussion and analysis of the financial activities of the Town of New Hampton, New Hampshire for the year ending December 31, 2017. Readers are encouraged to consider the information presented here in conjunction with the Town's financial statements.

Responsibility for both the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. This data is reported in a manner designed to fairly present the Town's financial position, and the result of operations of the various funds of the Town. All disclosures necessary to enable the reader to gain an accurate understanding of the Town's financial activities have been included.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to most private-sector companies.

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

The **Statement of Activities** presents information showing how the Town's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future periods (such as uncollected taxes and earned but unused vacation leave).

**Fund Financial Statements**

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

Governmental Funds: Most of the basic services provided by the Town are financed through governmental funds. Unlike the government-wide financial statements, the governmental fund financial statements report using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

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 statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net position and statement of activities.

Fiduciary funds are used to account for resources held for the benefit of parties outside of the Town 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 Town's agency funds consist of capital reserve funds of the New Hampton Village Precinct which are held by the Town as required by State law, escrow funds from developers which are held by the Town, and Private-Purpose Funds held for cemeteries and scholarships.

### **Notes to the Basic Financial Statements**

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

### **Required Supplementary Information**

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the General Fund, Town's only major governmental fund with an adopted budget and includes reconciliation between the reported activity of the revenues, expenditures and operating transfers for budgetary purposes (Schedule 1) and the activity as presented in the governmental fund financial statements (Exhibit D).

### **Other Supplementary Information**

Other supplementary information includes combining financial statements for non-major governmental funds.



## GOVERNMENT-WIDE FINANCIAL ANALYSIS

### Statement of Net Position

The Town's net position totaled \$5,093,195 at the end of 2017, an increase of \$269,657 when compared to the end of the previous year. This increase is due largely to the increase in property taxes, licenses and permits, and grants and contributions.

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Current assets	\$ 4,362,450	\$ 3,817,710
Capital assets, net	<u>5,866,115</u>	<u>5,733,345</u>
Total Assets	<u>10,228,565</u>	<u>9,551,055</u>
Deferred outflows of resources related to pensions	<u>260,803</u>	<u>443,325</u>
Current liabilities	2,219,832	1,809,624
Non-Current liabilities	<u>3,072,452</u>	<u>3,327,992</u>
Total Liabilities	<u>5,292,284</u>	<u>5,137,616</u>
Other unearned revenue	13,394	12,130
Deferred inflows of resources related to pensions	<u>90,495</u>	<u>21,096</u>
Total Deferred Inflows of Resources	<u>103,889</u>	<u>33,226</u>
Net position:		
Net investment in capital assets	4,150,331	4,046,297
Restricted	49,720	44,909
Unrestricted	<u>893,144</u>	<u>732,332</u>
Total Net Position	<u>\$ 5,093,195</u>	<u>\$ 4,823,538</u>

One of the largest portions of the Town's net position reflects its investment in capital assets such as land, buildings, and equipment less any related outstanding debt used to acquire those assets. There is \$49,720 restricted for the Permanent Funds.

### Statement of Activities

The Town's net position increased by \$269,657 during the current year. Total revenue of \$3,257,050 exceeded expenditures of \$2,987,393.

Property taxes brought in \$2,093,595 in revenues. Licenses and permits generated \$532,293 in revenues. Other revenues consisted of charges for services, grants and contributions, interest and investment earnings, and miscellaneous revenues.

Changes in net position for the year ending December 31, 2017 are as follows:

	<u>2017</u>	<u>2016</u>
Revenues		
Program revenues:		
Charges for services	\$ 172,445	\$ 158,540
Operating grants and contributions	229,481	104,157
Capital grants and contributions		
General revenues:		
Property taxes	2,093,595	2,098,764
Licenses and permits	532,293	456,869
Grants and contributions	134,393	133,463
Interest and investment earnings	24,075	13,453
Miscellaneous	70,768	21,502
Total Revenues	<u>\$ 3,257,050</u>	<u>\$ 2,986,748</u>
Expenses		
General government	\$ 742,483	\$ 654,216
Public safety	1,159,647	1,193,326
Highways and streets	852,684	761,094
Health and welfare	16,516	13,477
Sanitation	138,323	116,178
Culture and recreation	2,565	2,470
Conservation	19,022	31,232
Interest and fiscal charges	56,153	65,616
Total Expenses	<u>2,987,393</u>	<u>2,837,609</u>
Increase in net position	<u>269,657</u>	<u>149,139</u>
Net position, beginning of year, as restated	<u>4,823,538</u>	<u>4,674,399</u>
Net position, end of year	<u>\$ 5,093,195</u>	<u>\$ 4,823,538</u>

The Town's expenses cover a range of services. The largest expenses were for public safety (39%), highways and streets (29%) and general government (25%), which accounted for 93% of total expenditures.

### **FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

#### **Governmental Funds**

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

## General Fund

The general fund is the chief operating fund of the Town. At the end of the fiscal year 2017, the general fund had an unassigned fund balance of \$1,591,798 while total general fund balance was \$1,715,279. The total fund balance includes committed funds for the Capital Reserve and Trust Funds. The General Fund balance increased \$144,787 from December 31, 2016.

Under Statement 54, the Town has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned and Unassigned. Complete descriptions of these classifications may be found on page 14 of the notes to the Basic Financial Statements. Also under GASB 54, the Capital Reserve and Expendable Trust Funds are reported as part of the General Fund.

## Other Governmental Funds

The total fund balance in the other governmental funds was \$419,535 an increase of \$53,549 from December 31, 2016.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

The Town under expended its budget by \$436,935. This is primarily due to unexpended appropriations for Capital Purchases & Acquisition of the Grange building (Ambulance Grant , \$220,000; Fire Dept Equipment Grant, \$65,000; and Grange Building \$150,000) .

Actual revenues on the budgetary basis were more than the budgeted amount by \$16,892 which consisted primarily with an increase in charge for services.

### **CAPITAL ASSET AND LONG-TERM OBLIGATIONS**

#### **Capital Assets**

The Town considers a capital asset to be an asset whose costs exceeds \$10,000 and has a useful life of greater than (1) year. Assets are depreciated using the straight-line method over the course of their useful life.

The Town's investment in capital assets for its governmental activities as of December 31, 2017 amounts to \$7,868,010. Accumulated depreciation amounts to \$2,001,895 leaving a net book value of \$5,866,115. This investment in capital assets includes equipment, and real property. The net book value of the Town's buildings, building improvements, land, and equipment was reported in accordance with the GASB requirements. See Note 4 in the Notes to the Basic Financial Statements for a summary of all capital assets.

#### **Long-Term Obligations**

During 2017 the Town had long-term obligations consisting of one general bond, three capital lease obligations, and a closed unlined landfill. The estimated annual cost of the landfill is

\$15,750 with the remaining 11-year obligation of \$141,750. The General Bond is for the new public safety building with monthly installments of \$14,220 through May 2027, with a balance of \$1,347,547 as of December 31, 2017. There is a capital lease obligation for equipment entered into in 2014 and final payment in 2019. A lease was entered into during 2015 for equipment with a final payment in 2019. A new lease was entered into during 2017 for equipment with a final payment in 2021. The total balance of the capital leases as of December 31, 2017 is \$368,237. See Notes 5 and 6 in the Notes to the Basic Financial Statements for a summary of all outstanding long-term obligations.

### **ECONOMIC CONDITIONS**

The Town is in good financial condition at this time. We finished the year 2017 under budget. Payment and collection of real estate taxes in 2017 has remained consistent with previous years. The town has avoided having to borrow in anticipation of taxes for more than 9 years.

In 2017, the Town continued monthly payments to the Public Safety Building Bond, which began in 2012 for \$1,954,727, a 15-year general obligation bond at 3.75% interest rate. A warrant article authorized by the voters appropriates from the Fire Department Special Revenue Fund \$25,000 each year toward the \$170,636 annual payment. This bond will be retired in 9 years, May 2027. The Town also has three (3) lease to purchase agreements with balances on 12/31/17 for principal and interest as follows; PWD Loader \$35,026.75, the FD Fire Truck \$106,352.76 and the HWY Grader \$243,077.80. The lease/purchase option has been used to lessen the impact of large equipment purchases. The 2017 Capital Improvements Plan provided guidance with capital appropriations and management of the fiscal impact on the taxpayers.

The New Hampton Medical Emergency Services (EMS) emergency response and ambulance transports continue to generate revenue, which is placed in the Fire Department Special Revenue Fund. The Fire Department Special Revenue Fund, consisting of funds from ambulance fees and is used to offset the cost of the fire equipment purchases (ie. Ambulances, Fire Trucks, radios, pagers, rescue saw kit and other equipment). The Fire Department has seen an increase in revenues that will provide additional funding for equipment purchases in the future. The replacement of an Ambulance is scheduled in the Capital Improvements Plan for 2018 if the town is unsuccessful in obtaining a grant.

Many residents have expressed concern relative to the expenditures and rising operational costs of services, particularly education costs. In 2017 the Newfound Area School District tax rate increased to \$9.23 from \$7.99 and the State Education tax rate has remained the same at \$2.20, for a total of \$11.43, which is 60% of the 2017 tax rate of \$19.04. The cost of education is a significant portion of the local tax rate. Education costs in 2017 represent 60.1%, the Municipal 34.1% and the County 5.8% of the tax burden.

In 2017 we experienced an increase of \$854,645 (assessed value) in the town tax base. Although the increase in tax base appears significant it provided only \$5,555 in additional revenue for the town budget. It is anticipated that development and improvement in the economy will improve New Hampton's tax base and revenues. The 2017 operating budget, warrant articles and revenues resulted in a reduction of the town portion of the tax rate from \$6.65 in 2016 to \$6.50 for 2017.

The Town's financial condition will be impacted by the decisions at the state level. The State Legislature has continued to study and consider legislation that could affect the appraisal of property within the Town of New Hampton, particularly utility properties, which could have a significant negative impact on the town tax base.

The State of New Hampshire Department of Revenue recommends fund balance retention of 5% to 10% of the Town's annual budget (including school and county appropriations). The Government Finance Officers Association suggests retaining 8% to 17%. The Town's retained fund balance (surplus) was \$1,515,411 at December 31, 2017. The fund balance retained at tax rate setting was 21.66% of the total annual budget for 2017. A significant portion of this fund balance is the reserve for pending tax appeal cases for the public utilities and special properties such as DirecTV. If the town is successful in these cases this reserve will be significantly reduced and will allow the use of unassigned fund balance for tax relief. Until such time these cases are settled, the Town will need to maintain a higher fund balance.

During 2017 tax rate setting, \$160,000 was used to offset the 2017 town portion of the tax rate, but please note the use of fund balance may not be available if the Town is to maintain the recommended levels of fund balance. Maintaining too low a fund balance weakens the town's financial position by limiting cash flow (which may necessitate further borrowing), and/or restricting the town's ability to reduce the impact of unanticipated expenses (welfare assistance, emergencies, legal judgments, tax appeals, natural disasters, etc.).

#### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all of New Hampton citizens, taxpayers, and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Town of New Hampton, Selectmen's Office, 6 Pinnacle Hill Road, New Hampton, NH 03256.

**EXHIBIT A**  
**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**Statement of Net Position**  
December 31, 2017

	Governmental Activities
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 979,922
Investments	2,524,001
Taxes receivable, net	826,595
Accounts receivable, net	31,932
Total Current Assets	<u>4,362,450</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	106,042
Depreciable capital assets, net	5,760,073
Total Noncurrent Assets	<u>5,866,115</u>
Total Assets	<u>10,228,565</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pensions	260,803
Total Deferred Outflows of Resources	<u>260,803</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	162,221
Accrued expenses	21,359
Due to other governments	1,757,397
Current portion of bonds payable	122,012
Current portion of capital lease payable	141,093
Current portion of estimated liability for landfill postclosure care costs	15,750
Total Current Liabilities	<u>2,219,832</u>
Noncurrent Liabilities:	
Bonds payable	1,225,535
Capital lease payable	227,144
Estimated liability for landfill postclosure care costs	126,000
Compensated absences	23,154
Net pension liability	1,470,619
Total Noncurrent Liabilities	<u>3,072,452</u>
Total Liabilities	<u>5,292,284</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Other unearned revenue	13,394
Deferred inflows of resources related to pensions	90,495
Total Deferred Inflows of Resources	<u>103,889</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,150,331
Restricted	49,720
Unrestricted	893,144
Total Net Position	<u>\$ 5,093,195</u>

*See accompanying notes to the basic financial statements*

**EXHIBIT B**  
**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**Statement of Activities**  
For the Year Ended December 31, 2017

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
<b>Governmental Activities:</b>				
General government	\$ 742,483	\$ 6,724		\$ (735,759)
Public safety	1,159,647	129,342	\$ 35,228	(995,077)
Highways and streets	852,684	225	194,253	(658,206)
Health and welfare	16,516	435		(16,081)
Sanitation	138,323	27,027		(111,296)
Culture and recreation	2,565	333		(2,232)
Conservation	19,022	8,359		(10,663)
Interest and fiscal charges	56,153			(56,153)
Total governmental activities	<u>\$ 2,987,393</u>	<u>\$ 172,445</u>	<u>\$ 229,481</u>	<u>(2,585,467)</u>
<b>General revenues:</b>				
Property and other taxes				2,093,595
Licenses and permits				532,293
<b>Grants and contributions:</b>				
Rooms and meals tax distribution				115,105
State and federal forest land reimbursement				149
Flood control reimbursement				19,139
Interest and investment income				24,075
Miscellaneous				70,768
Total general revenues				<u>2,855,124</u>
Change in net position				269,657
Net position at beginning of year				<u>4,823,538</u>
Net position at end of year				<u>\$ 5,093,195</u>

*See accompanying notes to the basic financial statements*

**EXHIBIT C**  
**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**Balance Sheet**  
**Governmental Funds**  
December 31, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 868,852	\$ 111,070	\$ 979,922
Investments	2,252,146	271,855	2,524,001
Taxes receivable, net	826,595		826,595
Accounts receivable, net	200	31,732	31,932
Due from other funds	-	4,878	4,878
Total Assets	<u>3,947,793</u>	<u>419,535</u>	<u>4,367,328</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total Deferred Outflows of Resources			
Total Assets and Deferred Outflows of Resources	<u>\$ 3,947,793</u>	<u>\$ 419,535</u>	<u>\$ 4,367,328</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 162,221	\$ -	\$ 162,221
Accrued expenses	21,359		21,359
Due to other governments	1,757,397		1,757,397
Due to other funds	4,878		4,878
Total Liabilities	<u>1,945,855</u>	<u>-</u>	<u>1,945,855</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned tax revenue	273,265		273,265
Unearned land use tax revenue	1,256		1,256
Other unearned revenue	12,138		12,138
Total Deferred Inflows of Resources	<u>286,659</u>	<u>-</u>	<u>286,659</u>
<b>FUND BALANCES</b>			
Nonspendable		24,026	24,026
Restricted		25,694	25,694
Committed	123,481	369,815	493,296
Unassigned	1,591,798		1,591,798
Total Fund Balances	<u>1,715,279</u>	<u>419,535</u>	<u>2,134,814</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 3,947,793</u>	<u>\$ 419,535</u>	<u>\$ 4,367,328</u>

*See accompanying notes to the basic financial statements*



**EXHIBIT C-1**  
**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
December 31, 2017

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 2,134,814
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,866,115
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis	273,265
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds.	
Deferred outflows of resources related to net pension liability	260,803
Deferred inflows of resources related to net pension liability	(90,495)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
Bonds payable	(1,347,547)
Capital leases payable	(368,237)
Estimated liability for landfill postclosure care costs	(141,750)
Compensated absences payable	(23,154)
Net pension liability	<u>(1,470,619)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 5,093,195</u>

*See accompanying notes to the basic financial statements*

**EXHIBIT D**  
**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
For the Year Ended December 31, 2017

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 2,091,548	\$ 4,569	\$ 2,096,117
Licenses and permits	532,293		532,293
Intergovernmental	363,874		363,874
Charges for services	77,843	86,243	164,086
Interest and investment income	17,003	7,072	24,075
Miscellaneous	69,268	8,359	77,627
Total Revenues	<u>3,151,829</u>	<u>106,243</u>	<u>3,258,072</u>
<b>Expenditures:</b>			
<b>Current operations:</b>			
General government	733,804	130	733,934
Public safety	941,626	294	941,920
Highways and streets	729,798		729,798
Health and welfare	16,516		16,516
Sanitation	152,425		152,425
Culture and recreation	2,565		2,565
Conservation		19,022	19,022
Capital outlay	436,139		436,139
<b>Debt service:</b>			
Principal retirement	202,687		202,687
Interest and fiscal charges	56,153		56,153
Total Expenditures	<u>3,271,713</u>	<u>19,446</u>	<u>3,291,159</u>
Excess revenues over (under) expenditures	<u>(119,884)</u>	<u>86,797</u>	<u>(33,087)</u>
<b>Other financing sources (uses):</b>			
Proceeds from capital lease	231,423		231,423
Transfers in	34,728	1,480	36,208
Transfers out	(1,480)	(34,728)	(36,208)
Total other financing sources (uses)	<u>264,671</u>	<u>(33,248)</u>	<u>231,423</u>
Net change in fund balances	144,787	53,549	198,336
Fund balances at beginning of year	<u>1,570,492</u>	<u>365,986</u>	<u>1,936,478</u>
Fund balances at end of year	<u>\$ 1,715,279</u>	<u>\$ 419,535</u>	<u>\$ 2,134,814</u>

See accompanying notes to the basic financial statements

**EXHIBIT D-1**  
**TOWN OF NEW 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 December 31, 2017

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ 198,336
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay exceeded depreciation expense in the current period.	131,834
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(1,022)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposal of capital assets reduced by the actual proceeds received from the disposal.	(564)
Repayment of principal on bonds and capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	202,687
Governmental funds report the effect of bond issuance premiums when debt is first issued, whereas these amounts are amortized in the statement of activities over the life of the related debt.	
Proceeds from capital leases are reported as other financing sources in the governmental funds, but capital leases increase long-term liabilities in the statement of net position.	(231,423)
Some expenses reported in the statement of activities, such as compensated absences and the estimated landfill postclosure costs, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	21,731
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense reflects the change in the net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which pension expense exceeded pension contributions in the current period.	<u>(51,922)</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 269,657</u>

*See accompanying notes to the basic financial statements*

**EXHIBIT E**  
**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
December 31, 2017

	<u>Private- Purpose Trust Funds</u>	<u>Agency Funds</u>
<b>ASSETS</b>		
Cash	\$ 197	\$ 49,305
Investments	388,450	-
Total assets	<u>388,647</u>	<u>\$ 49,305</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Total Deferred Outflows of Resources	<u>-</u>	
<b>LIABILITIES</b>		
Due to developers		\$ 10,583
Due to other governments		38,722
Total liabilities	<u>-</u>	<u>\$ 49,305</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Total Deferred Inflows of Resources	<u>-</u>	
<b>NET POSITION</b>		
Held in trust	388,647	
Total net position	<u>\$ 388,647</u>	

*See accompanying notes to the basic financial statements*

**EXHIBIT F**  
**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
For the Year Ended December 31, 2017

	<u>Private- Purpose Trust Funds</u>
<b>ADDITIONS:</b>	
Contributions:	
Private donations	\$ 100
Total Contributions	<u>100</u>
Investment earnings:	
Interest income	7,553
Realized gains on investments	10,212
Net increase in the fair value of investments	<u>29,339</u>
Total Investment Earnings	<u>47,104</u>
Total Additions	<u>47,204</u>
<b>DEDUCTIONS:</b>	
Benefits	<u>6,435</u>
Total Deductions	<u>6,435</u>
Change in Net Position	40,769
Net position at beginning of year	<u>347,878</u>
Net position at end of year	<u>\$ 388,647</u>

*See accompanying notes to the basic financial statements*

**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
December 31, 2017

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of New Hampton, New Hampshire conform to accounting policies generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

***Financial Reporting Entity***

The Town of New Hampton, New Hampshire (the “Town”) was incorporated in 1777. The Town operates under the Town Meeting form of government and performs local governmental functions authorized by state law.

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

***Basis of Presentation***

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

**1. Government-Wide Financial Statements:**

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

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

**2. Fund Financial Statements:**

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

**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2017

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

***Fund Accounting***

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

**1. Governmental Funds:**

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

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

**2. Fiduciary Funds:**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private purpose trust funds and agency funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town maintains private purpose trust funds which account for monies designated to benefit individuals within the Town. The Town's agency funds are custodial in nature (assets plus deferred outflows of resources equal liabilities plus deferred inflows of resources) and do not involve the measurement of results of operations. The Town's agency funds consist of capital reserve funds of the New Hampton Village Precinct, which are held by the Town as required by state law, and escrow funds from developers which are held by the Town.

***Measurement Focus***

**1. Government-Wide Financial Statements:**

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

**2. Fund Financial Statements:**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet.

**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2017

The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The private purpose trust fund is reported using the economic resources measurement focus.

***Basis of Accounting***

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

**1. Revenues – Exchange and Non-exchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Town, available means expected to be received within sixty (60) days of year end.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 11). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

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



**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2017

**2. Expenses/Expenditures:**

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

***Budgetary Data***

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

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2017, the Town applied \$160,000 of its unassigned fund balance to reduce taxes.

***Investments***

Investments are stated at their fair value in all funds. Certificates of deposit and repurchase agreements with a maturity of greater than ninety (90) days from the date of issuance are included in investments.

***Taxes Receivable***

Taxes levied during the current year and prior and uncollected at December 31, 2017 are recorded as receivables net of allowance for estimated uncollectibles of \$85,000.

***Accounts Receivable***

Accounts receivable are recorded net of allowance for estimated uncollectibles of \$169,418.

***Capital Assets***

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

All capital assets, including infrastructure, are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition values as of the date received. The Town maintains a capitalization threshold of \$10,000. The Town's infrastructure consists of a bridge. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2017

The Town is not required to retroactively report its general infrastructure (e.g. roads, bridges, and sidewalks). Infrastructure records have been maintained effective January 1, 2004 and are included in these financial statements.

All reported capital assets except for land and construction in process are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Years</u>
Buildings and improvements	20-40
Vehicles and equipment	3-25
Infrastructure	50

***Compensated Absences***

Full-time employees may accumulate sick leave days at a rate of 1 day per month, cumulative to a maximum of 12 days. Upon retirement, employees shall receive payment for any unused sick leave at half of their regular rate. The Town permits employees to accumulate a limited amount of earned, but unused, vacation leave based upon length of service that will be paid to employees upon retirement or termination.

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

***Accrued Liabilities and Long-Term Obligations***

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

***Pensions***

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

**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2017

***Net Position***

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

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

***Fund Balance Policy***

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

- Nonspendable Fund Balance: Amounts that are not in a spendable form or are required to be maintained intact.
- Restricted Fund Balance: Amounts constrained to specific purposes by their providers through constitutional provisions or by enabling legislation.
- Committed Fund Balance: Amounts constrained to specific purposes by a government itself using its highest level of decision-making authority: to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest-level action to remove or change the constraint.
- Assigned Fund Balance: Amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- Unassigned Fund Balance: Amounts that are available for any purpose; these amounts are reported only in the General Fund.

**Spending Prioritization**

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

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

**Emergency Use of Fund Balance**

The Town will follow the provisions of the State Municipal Budget Law in emergency situations which may cause an over expenditure of total appropriations.

**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2017

*Minimum Level of Unassigned Fund Balance*

As recommended by the New Hampshire Department of Revenue Administration, the Town will strive to maintain an unassigned fund balance in its General Fund equal to 8-15% of the total annual appropriations of the community (which includes Town, County, School District, and Precincts). The Selectmen have the authority to apply up to \$300,000 of the Town's beginning unassigned fund balance in order to balance the budget and to reduce the property tax rate.

*Interfund Activity*

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

*Estimates*

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

**NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Other Post-Employment Benefits*

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

**NOTE 3—DEPOSITS AND INVESTMENTS**

Deposits and investments as of December 31, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 979,922
Investments	2,524,001
Statement of Fiduciary Net Position:	
Cash and cash equivalents	49,502
Investments	388,450
	<u>\$3,941,875</u>

**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2017

Deposits and investments at December 31, 2017 consist of the following:

Cash on hand	\$ 500
Deposits with financial institutions	1,028,924
Investments	<u>2,912,451</u>
	<u>\$3,941,875</u>

The Town limits its investments to obligations of the U.S. government, demand deposits, money market accounts, certificates of deposit, and repurchase agreements in accordance with New Hampshire State law (RSA 41:29) or the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. Responsibility for the investments of the Trust Funds is with the Board of Trustees.

***Interest Rate Risk***

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to acquisition value losses arising from increasing interest rates.

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

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

<u>Investment Type</u>	<u>Remaining Maturity (in Years)</u>		
	<u>0-1 Years</u>	<u>1-5 Years</u>	<u>&gt;5 Years</u>
Corporate bonds	\$ 86,473	\$ 35,679	\$ 50,794
	<u>\$ 86,473</u>	<u>\$ -</u>	<u>\$ 50,794</u>

***Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town has no investment policy that would further limit its investment choices. The following is the actual rating at year end for each investment type:

<u>Investment Type</u>	<u>Rating as of Year End</u>				
	<u>AAAm</u>	<u>A</u>	<u>Aa</u>	<u>Baa</u>	<u>Not Rated</u>
Corporate bonds	\$ 86,473		\$ 40,411	\$ 10,289	\$ 35,773
State investment pool	2,474,281	\$ 2,474,281			
Mutual funds	51,467				\$ 51,467
Money market mutual funds	21,036				21,036
	<u>\$ 2,633,257</u>	<u>\$ 2,474,281</u>	<u>\$ 40,411</u>	<u>\$ 10,289</u>	<u>\$ 35,773</u>
			<u>\$ 10,289</u>	<u>\$ 35,773</u>	<u>\$ 72,503</u>

**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2017

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Currently, the Town has no investment policy for assurance against custodial credit risk.

Of the Town's deposits with financial institutions at year end, \$797,525 was collateralized by securities held by the bank in the bank's name.

As of December 31, 2017, Town investments in the following investment types were held by the same counterparty that was used to buy the securities:

	<u>Investment Type</u>	<u>Reported Amount</u>
Corporate bonds		\$ 86,473
Equity securities		279,194
Mutual funds		51,467
Money market funds		21,036
		<u>\$ 438,170</u>

***Fair Value Measurement of Investments***

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

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

As of December 31, 2017, the Town's investments measured at fair value, by type, were as follows:

<u>Investment Type</u>	<u>Fair Value Measurements Using:</u>			<u>Total</u>
	<u>Level 1 inputs</u>	<u>Level 2 inputs</u>	<u>Level 3 inputs</u>	
Debt securities:				
Corporate bonds		\$ 86,473		\$ 86,473
Mutual funds		51,467		51,467
Equity securities	\$ 279,194			279,194
	<u>\$ 279,194</u>	<u>\$ 137,940</u>	<u>\$ -</u>	<u>\$ 417,134</u>

**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2017

Equity securities and fixed income mutual funds classified as Level 1 are valued using unadjusted prices quoted in active markets for those securities. Corporate bonds classified as Level 2 are valued utilizing pricing that may involve estimation using similar securities or trade dates.

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

***Investment in NHPDIP***

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

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

**NOTE 4—CAPITAL ASSETS**

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

	<u>Balance</u> <u>1/1/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2017</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 106,042			\$ 106,042
Total capital assets not being depreciated	<u>106,042</u>	<u>\$ -</u>	<u>-</u>	<u>106,042</u>
Other capital assets:				
Buildings and improvements	2,728,290			2,728,290
Vehicles and equipment	2,346,725	396,752	(303,350)	2,440,127
Infrastructure	2,593,551			2,593,551
Total other capital assets at historical cost	<u>7,668,566</u>	<u>396,752</u>	<u>(303,350)</u>	<u>7,761,968</u>
Less accumulated depreciation for:				
Buildings and improvements	(438,153)	(67,334)		(505,487)
Vehicles and equipment	(1,301,880)	(144,213)	302,786	(1,143,307)
Infrastructure	(301,230)	(51,871)		(353,101)
Total accumulated depreciation	<u>(2,041,263)</u>	<u>(263,418)</u>	<u>302,786</u>	<u>(2,001,895)</u>
Total other capital assets, net	<u>5,627,303</u>	<u>133,334</u>	<u>(564)</u>	<u>5,760,073</u>
Total capital assets, net	<u>\$ 5,733,345</u>	<u>\$ 133,334</u>	<u>\$ (564)</u>	<u>\$ 5,866,115</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 1,795
Public safety	143,500
Highways and streets	116,475
Sanitation	1,648
Total governmental activities depreciation expense	<u>\$ 263,418</u>

**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2017

**NOTE 5—LONG-TERM OBLIGATIONS**

***Changes in Long-Term Obligations***

The changes in the Town's long-term obligations for the year ended December 31, 2017 are as follows:

	<u>Balance</u> <u>1/1/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2017</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Bonds payable	\$ 1,467,202		\$ (119,655)	\$ 1,347,547	\$ 122,012
Capital leases payable	219,846	\$ 231,423	(83,032)	368,237	141,093
Compensated absences	29,135	8,587	(14,568)	23,154	
Total governmental activities	<u>\$ 1,716,183</u>	<u>\$ 240,010</u>	<u>\$ (217,255)</u>	<u>\$ 1,738,938</u>	<u>\$ 263,105</u>

Payments on the bonds payable, capital leases, and compensated absences of the governmental activities are paid out of the General Fund.

***General Obligation Bonds***

Bonds payable at December 31, 2017 is comprised of the following individual issue:

\$1,954,727 Public Safety Building Bonds payable in monthly  
 installments of \$14,220 through May 2027, interest at 3.7513% \$ 1,347,547

Debt service requirements to retire general obligation bonds outstanding at December 31, 2017 are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 122,012	\$ 48,624	\$ 170,636
2019	126,669	43,967	170,636
2020	131,389	39,247	170,636
2021	136,518	34,118	170,636
2022	141,728	28,908	170,636
2023-2027	<u>689,231</u>	<u>60,156</u>	<u>749,387</u>
	<u>\$ 1,347,547</u>	<u>\$ 255,020</u>	<u>\$ 1,602,567</u>

***Capital Lease Obligations***

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function. Following are the individual capital lease obligations at December 31, 2017:



**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2017

Equipment, due in annual installments of \$35,027, including interest at 2.000%, through January 2019	\$ 34,341
Equipment, due in annual installments of \$60,777, including interest at 2.000%, through November 2022	\$ 231,423
Equipment, due in annual installments of \$53,176, including interest at 2.51%, through May 2019	102,473
	<u>\$ 368,237</u>

Debt service requirements to retire capital lease obligations outstanding at December 31, 2017 are as follows:

Year Ending December 31	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 141,093	\$ 7,887	\$ 148,980
2019	109,141	4,813	113,954
2020	58,417	2,360	60,777
2021	59,585	1,192	60,777
2022	1	1	1
	<u>\$ 368,237</u>	<u>\$ 16,252</u>	<u>\$ 384,489</u>

The balance of the assets acquired through capital leases as of December 31, 2017 is as follows:

Vehicles and equipment	\$ 846,595
Less accumulated depreciation for:	
Vehicles and equipment	<u>(64,501)</u>
	<u>\$ 782,094</u>

**NOTE 6—LANDFILL POSTCLOSURE CARE COSTS**

State and federal laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure. An estimated liability has been recorded based on the future postclosure care costs that will be incurred after the date the landfill no longer accepts waste. The estimated liability for postclosure care costs has a balance of \$141,750 as of December 31, 2017. During 1996, a final cover was placed on the landfill. The estimated total current cost of the landfill postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of December 31, 2017. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations.

The postclosure care costs are expected to be financed through annual appropriations.

The following is a summary of changes in the estimated liability for postclosure care costs for the year ended December 31, 2017:

**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2017

Balance - January 1, 2017	\$ 157,500
Expenditures recognized in General Fund	(5,994)
Change in estimated liability	<u>(9,756)</u>
Balance - December 31, 2017	<u>\$ 141,750</u>

**NOTE 7—DEFINED BENEFIT PENSION PLAN**

***Plan Description***

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

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for the NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301 or from their website at [www.nhrs.org](http://www.nhrs.org).

Substantially all full-time state and local employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan. The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and are available to pay retirement benefits to all members.

***Benefits Provided***

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

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

**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2017

have not attained vested status prior to January 1, 2012, benefits are calculated depending on age and years of creditable service as follows:

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

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

***Funding Policy***

Covered police officers are required to contribute 11.55% of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers and general employees were 22.54% and 10.86%, respectively through June 30, 2017, and 25.33%, and 11.08%, respectively thereafter. The Town contributed 100% of the employer cost for police officers and general employees of the Town.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. Contributions to the pension plan for the Town were \$111,462 for the year ended December 31, 2017.

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

At December 31, 2017, the Town reported a liability of \$1,470,619 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 a roll forward of the actuarial valuation from June 30, 2016. The Town's proportion of the net pension liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2017, the Town's proportion was approximately 0.0299 percent, which was a decrease of 0.0015 percentage points from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Town recognized pension expense of \$168,250. At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2017

	<u>Deferred</u> <u>Outflows of</u> <u>Resources</u>	<u>Deferred</u> <u>Inflows of</u> <u>Resources</u>
Differences between expected and actual experience	\$ 3,335	\$ 18,717
Changes of assumptions	147,670	
Net difference between projected and actual earnings on pension plan investments		18,729
Changes in proportion and differences between Town contributions and proportionate share of contributions	49,916	53,049
Town contributions subsequent to the measurement date	<u>59,882</u>	<u>          </u>
Total	<u>\$ 260,803</u>	<u>\$ 90,495</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions is reflected as an increase to unrestricted net position in the amount of \$170,308. The Town reported \$59,882 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized as pension expense in the measurement period as follows:

<u>June 30,</u>	
2018	\$ 39,324
2019	68,488
2020	39,576
2021	<u>(36,962)</u>
	<u>\$ 110,426</u>

***Actuarial Assumptions***

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2016, using the following actuarial assumptions:

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

**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2017

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Net of inflation assumption of 3.25%)</u>
Fixed income	25%	(0.25)-2.11%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.50-6.25%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.75%
Opportunistic	5%	2.84%
Total	<u>100%</u>	

***Discount Rate***

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

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

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

**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2017

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Town's proportionate share of the net pension liability	\$ 1,937,466	\$ 1,470,619	\$ 1,088,055

**NOTE 8—INTERFUND BALANCES AND TRANSFERS**

The Town incurs various interfund balances throughout the year as a result of timing differences between when amounts expended are reimbursed by the various funds. At December 31, 2017, \$4,878 was due to the Nonmajor Governmental Funds from the General Fund.

During the year, several interfund transactions occurred between funds. The various transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended December 31, 2017 are as follows:

Transfer to	Transfer from		Totals
	General Fund	Nonmajor Governmental Funds	
General Fund		\$ 34,728	\$ 34,728
Nonmajor Governmental Funds	\$ 1,480		1,480
	<u>\$ 1,480</u>	<u>\$ 34,728</u>	<u>\$ 36,208</u>

**NOTE 9— RESTRICTED NET POSITION**

Net position is restricted for specific purposes at December 31, 2017 as follows:

Permanent Funds - Principal	\$ 24,026
Permanent Funds - Income	25,694
	<u>\$ 49,720</u>

**NOTE 10—COMPONENTS OF FUND BALANCE**

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

<u>Fund Balances</u>	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Nonspendable:</b>			
Permanent-Principal		\$ 24,026	\$ 24,026
<b>Restricted for:</b>			
Permanent-Income		25,694	25,694

**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2017

<b>Committed for:</b>			
Fire Department Equipment Fund		247,347	247,347
Conservation		122,468	122,468
Capital Reserve Fund	\$ 17,822		17,822
Expendable Trust Fund	105,659		105,659
<b>Unassigned:</b>			
Unassigned - General operations		<u>1,591,798</u>	<u>1,591,798</u>
		<u>\$ 1,715,279</u>	<u>\$ 2,134,814</u>

**NOTE 11—PROPERTY TAXES**

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$316,636,110 as of April 1, 2017) and are due in two installments on July 6, 2017 and December 29, 2017. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year-end).

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

In accordance with state law, the Town collects taxes for the Newfound Area School District and Belknap County, both independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$3,544,284 and \$347,248 for the Newfound Area School District and Belknap County, respectively.

These taxes are not recognized as revenues in these financial statements. As of December 31, 2017, the balance of the property tax appropriation due to the Newfound Area School District is \$1,757,397. The Town bears responsibility for uncollected taxes.

**NOTE 12—RISK MANAGEMENT**

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2017, the Town was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2017.

**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2017

***Property and Liability Insurance***

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

***Worker's Compensation***

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

**NOTE 13—COMMITMENTS AND CONTINGENCIES**

***Litigation***

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

**NOTE 14—SUBSEQUENT EVENT**

In February 2018, the Town reached a settlement with Directv Inc. for an appeal of property tax assessments. The settlement resulted in the Town paying a refund to Directv Inc. for \$646,148 for tax years 2007-2016 with no future litigation involving the 2017 tax year.

In May 2018, the Town entered into a lease agreement for highway equipment totaling \$57,493. Amounts to be repaid in annual payments of \$16,022 through May 2022 with interest at 4.49%.



**SCHEDULE 1**  
**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis) - General Fund**  
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 2,013,105	\$ 2,013,105	\$ 2,089,026	\$ 75,921
Licenses and permits	453,000	453,000	532,293	79,293
Intergovernmental	444,206	533,772	363,874	(169,898)
Charges for services	62,259	62,259	77,843	15,584
Interest income	11,500	11,500	16,437	4,937
Miscellaneous	57,500	57,500	68,555	11,055
Total Revenues	<u>3,041,570</u>	<u>3,131,136</u>	<u>3,148,028</u>	<u>16,892</u>
Expenditures:				
Current Operations:				
General government	668,561	668,561	730,179	(61,618)
Public safety	1,007,817	1,007,817	955,213	52,604
Highways and streets	626,170	715,736	729,798	(14,062)
Health and welfare	17,351	17,351	16,516	835
Sanitation	153,626	153,626	152,425	1,201
Culture and recreation	4,220	4,220	2,565	1,655
Capital outlay	634,295	634,295	182,975	451,320
Debt service:				
Principal retirement	206,165	206,165	202,687	3,478
Interest and fiscal charges	57,675	57,675	56,153	1,522
Total Expenditures	<u>3,375,880</u>	<u>3,465,446</u>	<u>3,028,511</u>	<u>436,935</u>
Excess revenues over (under) expenditures	<u>(334,310)</u>	<u>(334,310)</u>	<u>119,517</u>	<u>453,827</u>
Other financing sources (uses):				
Transfers in	205,790	205,790	101,615	(104,175)
Transfers out	<u>(31,480)</u>	<u>(31,480)</u>	<u>(31,480)</u>	<u>-</u>
Total other financing sources (uses)	<u>174,310</u>	<u>174,310</u>	<u>70,135</u>	<u>(104,175)</u>
Net change in fund balance	(160,000)	(160,000)	189,652	349,652
Fund balance at beginning of year				
- Budgetary Basis	<u>1,675,411</u>	<u>1,675,411</u>	<u>1,675,411</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 1,515,411</u>	<u>\$ 1,515,411</u>	<u>\$ 1,865,063</u>	<u>\$ 349,652</u>

See accompanying notes to the required supplementary information

**SCHEDULE 2****TOWN OF NEW HAMPTON, NEW HAMPSHIRE****Schedule of Changes in the Town's Proportionate Share of the Net Pension Liability**

For the Year Ended December 31, 2017

<u>Measurement Period Ended</u>	<u>Town's Proportion of the Net Pension Liability</u>	<u>Town's Proportionate Share of the Net Pension Liability</u>	<u>Town's Covered Payroll</u>	<u>Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2017	0.0299%	\$ 1,470,619	\$ 664,844	221.20%	62.66%
June 30, 2016	0.0314%	\$ 1,670,618	\$ 704,973	236.98%	58.30%
June 30, 2015	0.0310%	\$ 1,228,443	\$ 658,388	186.58%	65.47%
June 30, 2014	0.0304%	\$ 1,139,883	\$ 624,695	182.47%	66.32%
June 30, 2013	0.0281%	\$ 1,210,668	\$ 585,598	206.74%	59.81%

*See accompanying notes to the required supplementary information*

**SCHEDULE 3**  
**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**Schedule of Town Contributions**  
For the Year Ended December 31, 2017

<u>Year Ended</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Town's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2017	\$ 111,462	\$ (111,462)	\$ -	\$ 653,903	17.05%
December 31, 2016	\$ 108,264	\$ (108,264)	\$ -	\$ 666,524	16.24%
December 31, 2015	\$ 114,878	\$ (114,878)	\$ -	\$ 702,229	16.36%
December 31, 2014	\$ 102,176	\$ (102,176)	\$ -	\$ 646,046	15.82%
December 31, 2013	\$ 81,217	\$ (81,217)	\$ -	\$ 585,852	13.86%

*See accompanying notes to the required supplementary information*

**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
December 31, 2017

**NOTE 1—BUDGET TO ACTUAL RECONCILIATION**

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

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 3,417,980	\$ 3,273,193
Difference in property taxes meeting susceptible to accrual criteria	(2,522)	
Encumbrances, December 31, 2016		(5,525)
Non-budgetary revenues and expenditures	(1,279)	(21,741)
Budgetary revenue and expenditure	15,487	15,487
Capital lease proceeds	(231,423)	(231,423)
Non-budgetary transfers	(30,000)	(51,400)
Budgetary transfers	<u>81,400</u>	<u>81,400</u>
Per Schedule 1	<u>\$ 3,249,643</u>	<u>\$ 3,059,991</u>

**NOTE 2—BUDGETARY FUND BALANCE**

The components of the budgetary fund balance for the General Fund at December 31, 2017 are as follows:

General operations	<u>\$ 1,865,063</u>
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**NOTE 3—SCHEDULE OF CHANGES IN THE TOWN’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF TOWN CONTRIBUTIONS**

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

**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
December 31, 2017

*Changes in Assumptions*

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

**SCHEDULE A**  
**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**Combining Balance Sheet**  
**Governmental Funds - All Nonmajor Funds**  
December 31, 2017

	Special Revenue Funds				Combining Nonmajor Funds
	Fire Department Equipment Fund	Conservation Fund	Total Special Revenue Funds	Permanent Funds	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 65,934	\$ 45,136	\$ 111,070		\$ 111,070
Investments	149,681	72,454	222,135	\$ 49,720	271,855
Accounts receivable, net	31,732		31,732		31,732
Due from other funds		4,878	4,878		4,878
Total Assets	<u>247,347</u>	<u>122,468</u>	<u>369,815</u>	<u>49,720</u>	<u>419,535</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Total Assets and Deferred Outflows of Resources	<u>\$ 247,347</u>	<u>\$ 122,468</u>	<u>\$ 369,815</u>	<u>\$ 49,720</u>	<u>\$ 419,535</u>
<b>LIABILITIES</b>					
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Total Deferred Inflows of Resources	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>	<u>_____</u>
<b>FUND BALANCES</b>					
Nonspendable				24,026	24,026
Restricted				25,694	25,694
Committed	<u>247,347</u>	<u>122,468</u>	<u>369,815</u>		<u>369,815</u>
Total Fund Balances	<u>247,347</u>	<u>122,468</u>	<u>369,815</u>	<u>49,720</u>	<u>419,535</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 247,347</u>	<u>\$ 122,468</u>	<u>\$ 369,815</u>	<u>\$ 49,720</u>	<u>\$ 419,535</u>

**SCHEDULE B**  
**TOWN OF NEW HAMPTON, NEW HAMPSHIRE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds - All Nonmajor Funds**  
For the Year Ended December 31, 2017

	Special Revenue Funds			Permanent Funds	Combining Nonmajor Funds
	Fire Department Equipment Fund	Conservation Fund	Total Special Revenue Funds		
Revenues:					
Taxes		\$ 4,569	\$ 4,569		\$ 4,569
Charges for services	\$ 86,243		86,243		86,243
Interest and investment income	1,430	701	2,131	\$ 4,941	7,072
Miscellaneous		8,359	8,359		8,359
Total Revenues	<u>87,673</u>	<u>13,629</u>	<u>101,302</u>	<u>4,941</u>	<u>106,243</u>
Expenditures:					
Current operations:					
General government				130	130
Public safety	294		294		294
Conservation		19,022	19,022		19,022
Total Expenditures	<u>294</u>	<u>19,022</u>	<u>19,316</u>	<u>130</u>	<u>19,446</u>
Excess of revenues over (under) expenditures	<u>87,379</u>	<u>(5,393)</u>	<u>81,986</u>	<u>4,811</u>	<u>86,797</u>
Other financing sources (uses):					
Transfers in		1,480	1,480		1,480
Transfers out	(34,728)		(34,728)		(34,728)
Total other financing sources (uses)	<u>(34,728)</u>	<u>1,480</u>	<u>(33,248)</u>	<u>-</u>	<u>(33,248)</u>
Net change in fund balances	52,651	(3,913)	48,738	4,811	53,549
Fund balances at beginning of year	<u>194,696</u>	<u>126,381</u>	<u>321,077</u>	<u>44,909</u>	<u>365,986</u>
Fund balances at end of year	<u>\$ 247,347</u>	<u>\$ 122,468</u>	<u>\$ 369,815</u>	<u>\$ 49,720</u>	<u>\$ 419,535</u>