

TOWN OF DURHAM, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2017

Town of Durham, New Hampshire

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INDEPENDENT AUDITORS' REPORT

To the Town Council
Town of Durham, New Hampshire

Additional Offices:

Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Durham, 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 of Durham, New Hampshire's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion

on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our (1) qualified audit opinion on the governmental activities; and (2) unmodified audit opinion on each major fund and the aggregate remaining fund information.

Basis for Qualified Opinion on Governmental Activities

Management has not included any of the Town of Durham, New Hampshire's capital assets acquired in years prior to 2004, nor the accumulated depreciation and depreciation expense related to those assets in the governmental activities. Accounting principles generally accepted in the United States of America require that those assets be capitalized and depreciated, which would increase the assets, net position, and expenses of the governmental activities. The amount by which this departure would affect the assets, net position, and expenses of the governmental activities has not been determined.

Qualified Opinion on Governmental Activities

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion paragraph on Governmental Activities, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the Town of Durham, 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.

Opinion on Major Funds and Aggregate Remaining Fund Information

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

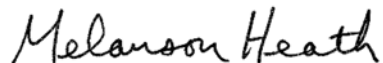
Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the Pension and OPEB schedules appearing on pages 47 to 49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information appearing on pages 50 through 53 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



September 27, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Durham, New Hampshire, we offer readers this narrative overview and analysis of the financial activities of the Town of Durham, New Hampshire for the year ended December 31, 2017.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The Statement of Activities presents information showing how the 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 only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities include general government, public safety, highways and streets, sanitation, water distribution and treatment, health, welfare, culture and recreation, and conservation.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements,

governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$11,673,978 (i.e., net position), a change of \$890,025 in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$5,121,514, a change of \$(1,191,679) in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$2,724,852, a change of \$820,402 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

<u>NET POSITION</u>		
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 17,923,564	\$ 19,232,447
Capital assets	<u>41,712,755</u>	<u>38,841,893</u>
Total assets	59,636,319	58,074,340
Deferred outflows	2,907,856	4,820,813
Current liabilities	14,770,948	14,375,533
Noncurrent liabilities	<u>35,585,043</u>	<u>37,313,567</u>
Total liabilities	50,355,991	51,689,100
Deferred inflows	514,206	422,100
Net position:		
Net investment in capital assets	19,817,244	18,240,582
Restricted	3,108,400	3,312,793
Unrestricted	<u>(11,251,666)</u>	<u>(10,769,422)</u>
Total net position	<u>\$ 11,673,978</u>	<u>\$ 10,783,953</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent year, total net position was \$11,673,978, a change of \$890,025 from the prior year.

The largest portion of net position \$19,817,244 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$3,108,400, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(11,251,666) primarily resulting from the Town's unfunded net pension liability.

CHANGES IN NET POSITION

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 3,916,345	\$ 4,177,099
Capital grants and contributions	110,776	113,308
General revenues:		
Property taxes	8,601,248	8,333,384
Motor vehicle permit fees	1,175,731	1,086,696
Penalties and interest on taxes	173,664	192,250
Grants and contributions not restricted to specific programs	4,390,081	4,869,701
Investment income	85,482	54,493
Other	714,834	394,361
Total revenues	<u>19,168,161</u>	<u>19,221,292</u>
Expenses:		
General government	2,594,405	2,367,680
Public safety	8,279,852	8,225,936
Highways and streets	2,449,502	2,079,035
Sanitation	2,284,809	2,131,630
Water distribution and treatment	422,437	448,103
Health and human services	20,750	21,750
Welfare	20,634	29,374
Culture and recreation	1,290,863	1,160,676
Conservation	206,473	61,492
Interest on long-term debt	708,411	749,001
Total expenses	<u>18,278,136</u>	<u>17,274,677</u>
Change in net position	890,025	1,946,615
Net position - beginning of year	<u>10,783,953</u>	<u>8,837,338</u>
Net position - end of year	<u>\$ 11,673,978</u>	<u>\$ 10,783,953</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$890,025. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 602,796
Other governmental funds operations	(1,794,475)
Principal debt service in excess of depreciation expense	177,814
Other	<u>1,903,890</u>
Total	<u>\$ 890,025</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$5,121,514, a change of \$(1,191,679) in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 602,796
Capital project fund activities	(1,590,082)
Sewer fund activities	12,908
Nonmajor funds operating results	<u>(217,301)</u>
Total	<u>\$ (1,191,679)</u>

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$2,724,852, while total fund balance was \$4,744,273. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/17</u>	<u>12/31/16</u>	<u>Change</u>	% of Total General Fund Expenditures
Unassigned fund balance	\$ 2,716,409	\$ 1,896,007	\$ 820,402	19.3%
Total fund balance	\$ 4,744,273	\$ 4,141,477	\$ 602,796	33.7%

The total fund balance of the general fund changed by \$602,796 during the current year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 611,710
Expenditures less than budget	110,969
Expenditures of prior year encumbrances	(104,111)
Change in capital reserves	(31,020)
Other	<u>15,248</u>
Total	<u>\$ 602,796</u>

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

	<u>12/31/17</u>	<u>12/31/16</u>	<u>Change</u>
Capital reserves	\$ <u>974,143</u>	\$ <u>1,005,163</u>	\$ <u>(31,020)</u>
Total	\$ <u>974,143</u>	\$ <u>1,005,163</u>	\$ <u>(31,020)</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There was no difference between the original budget and the final amended budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to \$41,712,755 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

New Additions:	
Powder Major Land	\$ 120,000
Aerial Ladder Replacement	875,000
Front End Loader	189,567
Wagon Hill Barn Renovations	180,927
New Additions to Construction in Progress:	
Police Building Renovations	\$ 1,090,693
Custom Fire Pumper	529,250
Road Resurfacing 2017	581,721
Old Landing Park Improvements	50,385
Reclassification of Construction in Progress:	
Pettee Brook Corridor -2	\$ 69,170
Water Tanks Foss Farm Beech Hill	899,836
Dr-Facility Road	68,004
Sidewalk - Bagdad Road	54,667
Chemical Disinfectant Building	907,990

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

Long-term debt. At the end of the current year, total bonded debt outstanding was \$19,164,352, all of which was backed by the full faith and credit of the government.

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

REQUESTS FOR INFORMATION

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

Office of Business Manager
Town of Durham
8 Newmarket Road
Durham, NH 03824

TOWN OF DURHAM, NEW HAMPSHIRE

STATEMENT OF NET POSITION

DECEMBER 31, 2017

	Governmental Activities
ASSETS	
Current:	
Cash and short-term investments	\$ 13,739,176
Investments	2,248,052
Restricted cash	430,444
Receivables, net of allowance for uncollectibles:	
Property taxes	885,037
User fees	115,970
Departmental and other	216,957
Intergovernmental	8,535
Other assets	205,354
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	74,039
Capital assets:	
Land and construction in progress	13,072,437
Other capital assets, net of accumulated depreciation	28,640,318
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	2,902,856
Other	5,000
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	62,544,175
LIABILITIES	
Current:	
Accounts payable	848,230
Retainage payable	47,225
Accrued liabilities	420,434
Tax refunds payable	25,000
Taxes paid in advance	5,320
Due to school district	10,390,350
Other current liabilities	813,441
Current portion of long-term liabilities:	
Bonds payable	2,054,832
Other	166,116
Noncurrent:	
Bonds payable, net of current portion	17,109,520
Net pension liability	15,380,286
Net OPEB obligation	1,661,290
Other, net of current portion	1,433,947
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	431,679
Other	82,527
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	50,870,197
NET POSITION	
Net investment in capital assets	19,817,244
Restricted for:	
Grants and other statutory restrictions	2,676,734
Permanent funds:	
Nonexpendable	391,420
Expendable	40,246
Unrestricted	(11,251,666)
TOTAL NET POSITION	\$ 11,673,978

The accompanying notes are an integral part of these financial statement

TOWN OF DURHAM, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

					Net (Expenses) Revenues and Changes in Net Position
	<u>Expenses</u>	<u>Program Revenues</u>			<u>Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
General government	\$ 2,594,405	\$ 232,667	\$ -	\$ -	\$ (2,361,738)
Public safety	8,279,852	813,562	-	-	(7,466,290)
Highways and streets	2,449,502	3,530	-	-	(2,445,972)
Sanitation	2,284,809	1,785,716	-	70,845	(428,248)
Water distribution and treatment	422,437	782,140	-	-	359,703
Health and human services	20,750	-	-	-	(20,750)
Welfare	20,634	-	-	-	(20,634)
Culture and recreation	1,290,863	298,730	-	39,931	(952,202)
Conservation	206,473	-	-	-	(206,473)
Interest	708,411	-	-	-	(708,411)
Total Governmental Activities	18,278,136	3,916,345	-	110,776	(14,251,015)
General Revenues and Transfers:					
					8,601,248
					1,175,731
					173,664
					4,390,081
					85,482
					714,834
Total general revenues and transfers					15,141,040
Change in Net Position					890,025
Net Position:					
Beginning of year					10,783,953
End of year					\$ 11,673,978

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

TOWN OF DURHAM, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2017

	General	Capital Project	Sewer	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and short-term investments	\$ 11,981,229	\$ -	\$ 1,007,628	\$ 750,319	\$ 13,739,176
Restricted cash	430,444	-	-	-	430,444
Investments	980,165	-	633,040	634,847	2,248,052
Receivables:	-	-	-	-	-
Property taxes	1,058,586	-	-	-	1,058,586
User fees	-	-	59,635	77,990	137,625
Departmental and other	216,957	-	-	-	216,957
Intergovernmental	-	-	8,535	-	8,535
Due from other funds	2,412,987	-	15,524	44,143	2,472,654
Other assets	148,653	-	150	61,551	210,354
TOTAL ASSETS	\$ 17,229,021	\$ -	\$ 1,724,512	\$ 1,568,850	\$ 20,522,383
LIABILITIES					
Accounts payable	\$ 506,930	\$ 266,906	\$ 49,850	\$ 24,544	\$ 848,230
Retainage payable	-	47,225	-	-	47,225
Accrued liabilities	170,431	-	7,296	5,677	183,404
Tax refunds payable	25,000	-	-	-	25,000
Taxes paid in advance	5,320	-	-	-	5,320
Due to other funds	53,661	2,417,028	-	1,965	2,472,654
Due to school district	10,390,350	-	-	-	10,390,350
Other liabilities	812,426	-	-	1,015	813,441
TOTAL LIABILITIES	11,964,118	2,731,159	57,146	33,201	14,785,624
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenues	520,630	-	50,561	44,054	615,245
FUND BALANCES					
Nonspendable	143,653	-	150	452,971	596,774
Restricted	427,516	859,633	1,012,300	576,535	2,875,984
Committed	585,083	-	604,355	442,290	1,631,728
Assigned	871,612	-	-	24,038	895,650
Unassigned	2,716,409	(3,590,792)	-	(4,239)	(878,622)
TOTAL FUND BALANCES	4,744,273	(2,731,159)	1,616,805	1,491,595	5,121,514
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 17,229,021	\$ -	\$ 1,724,512	\$ 1,568,850	\$ 20,522,383

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

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

DECEMBER 31, 2017

Total governmental fund balances	\$ 5,121,514
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	41,712,755
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	411,553
• Long-term liabilities, including bonds payable, net pension liability, net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(37,805,991)
• Other	<u>2,234,147</u>
Net position of governmental activities	<u><u>\$ 11,673,978</u></u>

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

TOWN OF DURHAM, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General</u>	<u>Capital Project</u>	<u>Sewer</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Property taxes	\$ 8,635,949	\$ -	\$ -	\$ 137,092	\$ 8,773,041
Motor vehicle permit fees	1,175,731	-	-	-	1,175,731
Penalties, interest and other taxes	168,530	-	2,459	2,675	173,664
Charges for services	764,678	-	1,745,980	1,061,056	3,571,714
Intergovernmental	3,539,049	286,241	547,766	17,025	4,390,081
Licenses and permits	266,511	-	-	78,120	344,631
Investment income	43,942	-	12,560	28,980	85,482
Contributions	107,927	-	70,845	2,815	181,587
Miscellaneous	401,098	123,856	16,320	28,475	569,749
Total Revenues	15,103,415	410,097	2,395,930	1,356,238	19,265,680
Expenditures:					
Current:					
General government	2,492,287	59,805	-	26,307	2,578,399
Public safety	7,212,150	2,680,589	-	-	9,892,739
Highways and streets	1,424,761	1,198,868	-	-	2,623,629
Sanitation	626,763	566,537	1,118,500	-	2,311,800
Water distribution and treatment	-	87,099	-	325,301	412,400
Health and human services	20,750	-	-	-	20,750
Welfare	20,634	-	-	-	20,634
Culture and recreation	866,859	70,463	-	194,224	1,131,546
Employee benefits	84,984	-	-	371,489	456,473
Debt service	1,308,295	-	979,998	-	2,288,293
Intergovernmental	-	-	-	295,696	295,696
Total Expenditures	14,057,483	4,663,361	2,098,498	1,213,017	22,032,359
Excess (deficiency) of revenues over expenditures	1,045,932	(4,253,264)	297,432	143,221	(2,766,679)
Other Financing Sources (Uses):					
Issuance of bonds	-	1,575,000	-	-	1,575,000
Transfers in	217,598	1,112,058	12,143	-	1,341,799
Transfers out	(660,734)	(23,876)	(296,667)	(360,522)	(1,341,799)
Total Other Financing Sources (Uses)	(443,136)	2,663,182	(284,524)	(360,522)	1,575,000
Change in fund balance	602,796	(1,590,082)	12,908	(217,301)	(1,191,679)
Fund Balance, at Beginning of Year	4,141,477	(1,141,077)	1,603,897	1,708,896	6,313,193
Fund Balance, at End of Year	\$ 4,744,273	\$ (2,731,159)	\$ 1,616,805	\$ 1,491,595	\$ 5,121,514

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

TOWN OF DURHAM, 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 changes in fund balances - total governmental funds	\$ (1,191,679)
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: 	
Capital outlay	4,563,930
Depreciation	(1,693,068)
<ul style="list-style-type: none"> The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: 	
Issuance of debt	(1,575,000)
Repayments of debt	1,870,882
Repayments of capital lease	74,274
Change in net pension liability	1,310,484
Change in net OPEB liability	(146,418)
<ul style="list-style-type: none"> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. 	(193,448)
<ul style="list-style-type: none"> Other differences. 	(2,129,932)
Change in net position of governmental activities	\$ <u>890,025</u>

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

TOWN OF DURHAM, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget	Actual Amounts	
Revenues and Other Sources:				
Property taxes	\$ 8,291,422	\$ 8,291,422	\$ 8,635,949	\$ 344,527
Penalties, interest and other taxes	186,153	186,153	168,530	(17,623)
Charges for services	345,500	345,500	402,939	57,439
Intergovernmental	3,433,675	3,433,675	3,539,049	105,374
Licenses and permits	1,320,000	1,320,000	1,412,257	92,257
Investment income	22,000	22,000	21,749	(251)
Contributions	-	-	1,013	1,013
Miscellaneous	401,000	401,000	370,339	(30,661)
Transfers in	459,150	459,150	518,785	59,635
Total Revenues and Other Sources	14,458,900	14,458,900	15,070,610	611,710
Expenditures and Other Uses:				
General government	2,454,025	2,454,025	2,374,820	79,205
Public safety	7,023,745	7,023,745	6,964,010	59,735
Highways and streets	1,422,780	1,422,780	1,421,197	1,583
Sanitation	601,435	601,435	625,763	(24,328)
Health and human services	20,755	20,755	20,750	5
Welfare	23,000	23,000	20,634	2,366
Culture and recreation	402,900	402,900	381,749	21,151
Conservation	93,480	93,480	92,334	1,146
Debt service	1,329,250	1,329,250	1,308,295	20,955
Transfers out	1,087,530	1,087,530	1,138,379	(50,849)
Total Expenditures and Other Uses	14,458,900	14,458,900	14,347,931	110,969
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 722,679	\$ 722,679

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

TOWN OF DURHAM, NEW HAMPSHIRE

Sewer Fund

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

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Other Sources:				
Charges for services	\$ 2,364,913	\$ 2,364,913	\$ 2,308,348	\$ (56,565)
Intergovernmental	70,172	70,172	70,845	673
Miscellaneous		-	195	195
Total Revenues and Other Sources	<u>2,435,085</u>	<u>2,435,085</u>	<u>2,379,388</u>	<u>(55,697)</u>
Expenditures and Other Uses:				
Sanitation	1,130,485	1,130,485	1,118,500	11,985
Debt service	987,900	987,900	979,998	7,902
Transfers out	<u>316,700</u>	<u>316,700</u>	<u>312,191</u>	<u>4,509</u>
Total Expenditures and Other Uses	<u>2,435,085</u>	<u>2,435,085</u>	<u>2,410,689</u>	<u>24,396</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (31,301)</u>	<u>\$ (31,301)</u>

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

TOWN OF DURHAM, NEW HAMPSHIRE
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2017

	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
ASSETS		
Cash and short-term investments	\$ -	\$ 107,821
Investments	<u>145,081</u>	<u>874,360</u>
Total Assets	145,081	982,181
 LIABILITIES AND NET POSITION		
Other liabilities	<u>-</u>	<u>982,181</u>
Total Liabilities	<u>-</u>	<u>982,181</u>
 NET POSITION		
Total net position held in trust	\$ <u><u>145,081</u></u>	\$ <u><u>-</u></u>

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

TOWN OF DURHAM, NEW HAMPSHIRE
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions	\$ 350
Interest income	<u>6,865</u>
Total additions	7,215
Deductions:	
Other	<u>8,500</u>
Total deductions	<u>8,500</u>
Net increase (decrease)	(1,285)
Net position:	
Beginning of year	<u>146,366</u>
End of year	<u>\$ 145,081</u>

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

Town of Durham, New Hampshire

Notes to Financial Statements

1. **Summary of Significant Accounting Policies**

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *capital projects fund* accounts for the activity pertaining to various construction/renovation projects and the purchase of vehicles and equipment of the Town.
- The *sewer fund* accounts for sewerage treatment services provided to the Town's residents.

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

The Town reports the following fiduciary funds:

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

D. Cash and Short-Term Investments

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

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

E. Investments

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

Investments for the trust funds consist of marketable securities, bonds, and short-term money market investments. Investments are carried at fair value, except certificates of deposit which are reported at cost.

F. Interfund Receivables and Payables

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

G. Capital Assets

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

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

Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Land Improvements	20
Buildings and building improvements	10-50
Infrastructure	15-25
Equipment and Vehicles	5-15

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Fund Equity

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

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

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

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. Use of Estimates

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

2. Departures from Generally Accepted Accounting Principles

The significant departures of the financial statements from generally accepted accounting principles are as follows:

The government-wide Statement of Net Position does not include any of the Town’s capital assets acquired in years prior to 2004, nor the accumulated depreciation on those assets. This is a departure from generally accepted accounting principles of the United States of America.

3. Stewardship, Compliance, and Accountability

A. Budgetary Information

The Town's budget is originally prepared by the Town Administrator's office with the cooperation of the various department heads and submitted to the Town Council for review. The Town Council will review the budget for the following year and make any modifications and amendments as necessary.

After reviewing the budget, the Town Council will hold public hearings for discussion.

The final version of the budget is then submitted for approval by the Town Council. The approved budget is subsequently reported to the State of New Hampshire on the statement of appropriation form in order to establish the current property tax rate.

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

B. Budgetary Basis

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

C. Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 15,103,415	\$ 14,057,483
Other financing sources/uses (GAAP Basis)	<u>217,598</u>	<u>660,734</u>
Subtotal (GAAP Basis)	15,321,013	14,718,217
Reverse beginning of year appropriation carryforwards from expenditures	-	(176,769)
Add end-of-year appropriation carryforwards from expenditures	-	72,658
To eliminate library activity	(40,123)	(31,680)
To eliminate parking activity	(266,870)	(260,065)
To eliminate capital reserve activity	<u>56,590</u>	<u>25,570</u>
Budgetary Basis	\$ <u><u>15,070,610</u></u>	\$ <u><u>14,347,931</u></u>

<u>Sewer Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP Basis)	\$ 2,395,930	\$ 2,098,498
Other financing sources/uses (GAAP Basis)	<u>12,143</u>	<u>296,667</u>
Subtotal (GAAP Basis)	2,408,073	2,395,165
To eliminate capital reserve activity	<u>(28,685)</u>	<u>15,524</u>
Budgetary Basis	\$ <u><u>2,379,388</u></u>	\$ <u><u>2,410,689</u></u>

D. Deficit Fund Equity

Certain individual funds reflected deficit balances as of December 31, 2017.

It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

4. Cash and Short-Term Investments

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

As of December 31, 2017, none of the Town's bank balance of \$12,294,629 was exposed to custodial credit risk as uninsured or uncollateralized.

5. Restricted Cash

Restricted cash represents capital reserve funds held by the Trustees of Trust Funds as of December 31, 2017.

6. Investments

A. 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. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Presented below is the actual rating as of year-end for each investment of the Town. (All federal agency securities have an implied credit rating of AAA.):

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Year End				
				AA+	A	A-	AA-	BBB+
U.S. Treasury bonds	\$ 1,041,137	N/A	\$ -	\$ 1,041,137	\$ -	\$ -	\$ -	\$ -
Corporate bonds	1,109,247		-	91,817	170,217	247,561	127,490	472,162
Mutual funds	<u>1,117,109</u>	N/A	<u>1,117,109</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 3,267,493</u>		<u>\$ 1,117,109</u>	<u>\$ 1,132,954</u>	<u>\$ 170,217</u>	<u>\$ 247,561</u>	<u>\$ 127,490</u>	<u>\$ 472,162</u>

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have policies for custodial credit risk.

The Town's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm, which is also the Counterparty to these securities.

C. Concentration of Credit Risk

The Town does not have an investment in one issuer greater than 5% of total investments.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>
Debt Related Securities:				
U.S. Treasury bonds	\$ 1,041,137	\$ 215,059	\$ 646,803	\$ 179,275
Corporate bonds	<u>1,109,247</u>	<u>-</u>	<u>872,953</u>	<u>236,294</u>
Total	<u>\$ 2,150,384</u>	<u>\$ 215,059</u>	<u>\$ 1,519,756</u>	<u>\$ 415,569</u>

E. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have policies for foreign currency risk.

F. Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following fair value measurements as of December 31, 2017:

<u>Description</u>	<u>Fair Value Measurements Using:</u>	
	<u>Quoted prices in active markets for identical assets (Level 1)</u>	
Investments by fair value level:		
Debt securities		
U.S. Treasury securities	\$ 1,041,137	\$ 1,041,137
Corporate bonds	1,109,247	1,109,247
Mutual Funds	1,117,109	1,117,109
Total	\$ 3,267,493	

7. Taxes Receivable

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

Taxes receivable at December 31, 2017 consist of the following:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate taxes	\$ 885,037	\$ -	\$ 885,037
Tax liens	173,549	(99,510)	74,039
Total property taxes	<u>\$ 1,058,586</u>	<u>\$ (99,510)</u>	<u>\$ 959,076</u>

Taxes Collected for Others

The Town collects taxes for the State of New Hampshire, the Oyster River Cooperative School District and the County of Strafford. Payments to the other taxing units are normally made throughout the year. The ultimate responsibility for the collection of taxes rests with the Town.

8. User Fee Receivables

Receivables for user charges and betterments at December 31, 2017 consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Receivables:			
Water	\$ 35,702	\$ (7,522)	\$ 28,180
Sewer	59,635	(9,904)	49,731
Churchill Rink	<u>42,288</u>	<u>(4,229)</u>	<u>38,059</u>
Total	<u>\$ 137,625</u>	<u>\$ (21,655)</u>	<u>\$ 115,970</u>

9. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in 2017.

10. Interfund Fund Accounts

Receivables/Payables

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

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 2,412,987	\$ 53,661
Capital Project Funds	-	2,417,028
Sewer Fund	15,524	-
Nonmajor Funds:		
Water Fund	15,524	-
Conservation	28,619	-
Permanent Trust Fund	-	1,965
Subtotal Nonmajor Funds	<u>44,143</u>	<u>1,965</u>
Total	<u>\$ 2,472,654</u>	<u>\$ 2,472,654</u>

Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental and proprietary fund financial statements. The following is an analysis of major interfund transfers.

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 217,598	\$ 660,734
Capital Project Funds	1,112,058	23,876
Sewer Fund	12,143	296,667
Nonmajor Funds:		
Special Revenue Funds:		
Water Fund	-	289,836
Depot Road	-	70,608
Church Hill Rink	-	78
Subtotal Nonmajor Funds	-	360,522
Grand Total	\$ 1,341,799	\$ 1,341,799

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

11. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Land improvements	\$ 450,928	\$ -	\$ -	\$ 450,928
Buildings and improvements	16,074,703	1,088,917	-	17,163,620
Machinery, equipment, and furnishings	6,997,057	1,231,493	(27,955)	8,200,595
Infrastructure	11,676,591	1,188,476	-	12,865,067
Total capital assets, being depreciated	35,199,279	3,508,886	(27,955)	38,680,210
Less accumulated depreciation for:				
Land improvements	(139,409)	(11,148)	-	(150,557)
Buildings and improvements	(1,910,736)	(448,365)	-	(2,359,101)
Machinery, equipment, and furnishings	(3,167,313)	(621,547)	27,955	(3,760,905)
Infrastructure	(3,157,321)	(612,008)	-	(3,769,329)
Total accumulated depreciation	(8,374,779)	(1,693,068)	27,955	(10,039,892)
Total capital assets, being depreciated, net	26,824,500	1,815,818	-	28,640,318
Capital assets, not being depreciated:				
Land	2,901,891	370,000	-	3,271,891
Construction in progress	9,115,502	2,781,510	(2,096,466)	9,800,546
Total capital assets, not being depreciated	12,017,393	3,151,510	(2,096,466)	13,072,437
Governmental activities capital assets, net	\$ 38,841,893	\$ 4,967,328	\$ (2,096,466)	\$ 41,712,755

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

Governmental Activities:	
General government	\$ 9,844
Highways and streets	293,428
Highways and streets	849,948
Sanitation	323,896
Water distribution and treatment	64,903
Culture and recreation	151,049
Total depreciation expense - governmental activities	\$ 1,693,068

12. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions, in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, are more fully discussed in Note 21.

13. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent 2017 expenditures paid in 2018.

14. Tax Refunds Payable

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

15. Operating Lease Obligations

The Town is the lessee of certain equipment under an operating lease expiring in 2021. Future minimum lease payments under the operating leases consist of the following as of December 31, 2017:

<u>Fiscal Year</u>	<u>Operating Leases</u>
2018	\$ 6,763
2019	6,763
2020	6,763
2021	<u>1,691</u>
Present Value of Minimum Lease Payments	\$ <u>21,980</u>

16. Long-Term Debt

A. General Obligation Bonds

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

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/17</u>
Capital improvements	12/31/19	3.00-4.50%	\$ 120,000
Water improvements	11/15/26	3.47%	1,235,000
Landfill closure	02/01/24	3.69%	1,290,000
Capital improvements	11/15/26	3.80-4.00%	280,964
Capital improvements	11/15/28	3.00-4.050%	1,429,909
Capital improvements	08/15/30	3.00-5.00%	650,000
Capital improvements	08/15/32	1.85-4.00%	2,990,000
Capital improvements	03/01/33	2.00-4.125%	2,830,000
Dover Rd Pump Station	10/01/32	2.72%	984,952
Spruce Hole Well Dev	01/01/23	1.70%	144,502
Water Meter Upgrade	01/01/23	1.70%	202,375
Capital improvements	08/15/34	3.04%	2,910,000
Old Concord Road	02/01/34	3.10%	176,650
Capital improvements	09/01/25	2.00%	2,345,000
Capital improvements	01/15/27	2.20%	1,575,000
Total Governmental Activities:			<u>\$ 19,164,352</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2017 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 2,054,832	\$ 651,484	\$ 2,706,316
2019	1,987,803	578,486	2,566,289
2020	1,861,052	506,713	2,367,765
2021	1,834,576	442,585	2,277,161
2022	1,813,380	379,459	2,192,839
2023 - 2027	6,346,657	1,118,812	7,465,469
2028 - 2032	2,810,267	380,850	3,191,117
Thereafter	455,785	23,366	479,151
Total	<u>\$ 19,164,352</u>	<u>\$ 4,081,755</u>	<u>\$ 23,246,107</u>

The following governmental funds have been designated as the sources to repay the governmental-type general obligation long-term debt outstanding as of December 31, 2017:

General fund	\$ 8,536,488
Sewer fund	8,506,056
Special revenue fund	<u>2,121,808</u>
Total	<u>\$ 19,164,352</u>

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2017, the following changes occurred in long-term liabilities:

	Total Balance 1/1/17	Additions	Reductions	Total Balance 12/31/17	Less Current Portion	Equals Long-Term Portion 12/31/17
<u>Governmental Activities</u>						
Bonds payable	\$ 19,460,234	\$ 1,575,000	\$ (1,870,882)	\$ 19,164,352	\$ (2,054,832)	\$ 17,109,520
Net pension liability	16,690,770	-	(1,310,484)	15,380,286	-	15,380,286
Net OPEB liability	1,514,872	146,418	-	1,661,290	-	1,661,290
Other:						
Landfill liability	180,000	-	(10,000)	170,000	(10,000)	160,000
Compensated absences	757,337	5,756	-	763,093	(76,309)	686,784
Bond premium	<u>741,244</u>	<u>-</u>	<u>(74,274)</u>	<u>666,970</u>	<u>(79,807)</u>	<u>587,163</u>
Subtotal - other	<u>1,678,581</u>	<u>5,756</u>	<u>(84,274)</u>	<u>1,600,063</u>	<u>(166,116)</u>	<u>1,433,947</u>
Totals	<u>\$ 39,344,457</u>	<u>\$ 1,727,174</u>	<u>\$ (3,265,640)</u>	<u>\$ 37,805,991</u>	<u>\$ (2,220,948)</u>	<u>\$ 35,585,043</u>

17. Landfill Closure and Postclosure Care Costs

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

The \$170,000 reported as landfill postclosure care liability at December 31, 2017 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2017. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

18. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The Town reports two items as deferred inflows of resources: one which is attributable to changes in the net pension liability, and the other which arises from the current financial

resources measurement focus and the modified accrual basis of accounting in governmental funds. Deferred inflows of resources related to pension will be recognized in pension expense in future years and is more fully described in Note 21. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

19. Governmental Funds - Balances

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

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

The following types of fund balances are reported at December 31, 2017:

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

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

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing special article appropriations approved at Town Meeting, capital reserve funds, special purpose stabilization funds, and various special revenue funds.

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

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

Following is a breakdown of the Town's fund balances at December 31, 2017:

	<u>General Fund</u>	<u>Capital Project Fund</u>	<u>Sewer Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable					
Prepaid expenditures	\$ 143,653	\$ -	\$ 150	\$ 61,551	\$ 205,354
Nonexpendable permanent funds	-	-	-	391,420	391,420
Total Nonexpendable	143,653	-	150	452,971	596,774
Restricted					
Bonded projects	-	859,633	-	-	859,633
Grant proceeds	2,500	-	-	-	2,500
Library operations	417,014	-	-	-	417,014
Parking operations	6,805	-	-	-	6,805
Police confidential	1,197	-	-	-	1,197
Special revenue funds	-	-	1,012,300	536,289	1,548,589
Expendable permanent funds	-	-	-	40,246	40,246
Total Restricted	427,516	859,633	1,012,300	576,535	2,875,984
Committed					
Capital reserve funds	585,083	-	604,355	442,290	1,631,728
Total Committed	585,083	-	604,355	442,290	1,631,728
Assigned					
Encumbrances	72,658	-	-	24,038	96,696
Proceeds for future debt payments	378,874	-	-	-	378,874
Fire station improvements	420,080	-	-	-	420,080
Total Assigned	871,612	-	-	24,038	895,650
Unassigned					
Unassigned	2,716,409	(3,590,792)	-	(4,239)	(878,622)
Total Unassigned	2,716,409	(3,590,792)	-	(4,239)	(878,622)
Total Fund Balance	\$ 4,744,273	\$ (2,731,159)	\$ 1,616,805	\$ 1,491,595	\$ 5,121,514

20. General Fund Unassigned Fund Balance

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

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

GAAP basis balance	\$ 2,716,409
Unavailable revenue	520,630
Allowance for abatements	(99,510)
Other	(57,032)
Statutory Balance	<u>\$ 3,080,497</u>

21. Retirement System

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

A. Plan Description

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

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

B. Benefits Provided

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

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have a nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up

to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

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

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and teachers 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.86% to 25.32% of covered compensation. The Town's contribution to NHRS for the year ended December 31, 2017 was \$1,195,801, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

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

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

At December 31, 2017, the Town reported a liability of \$15,380,286 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Town's proportion was .31273503 percent.

For the year ended December 30, 2017, the Town recognized pension expense of \$2,023,122. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 34,874	\$ 195,747
Changes of assumptions	1,544,384	-
Net difference between projected and actual earnings on pension plan investments	-	195,876
Changes in proportion and differences between contributions and proportionate share of contributions	705,971	40,055
Contributions subsequent to the measurement date	<u>617,627</u>	<u>-</u>
Total	<u>\$ 2,902,856</u>	<u>\$ 431,678</u>

\$617,627 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 674,749
2019	909,210
2020	528,326
2021	<u>(258,734)</u>
Total	<u>\$ 1,853,551</u>

F. Actuarial Assumptions

The total pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent actuarial experience study.

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

Asset Class	Target Allocation Percentage	Weighted Average Average Long- Term Expected Real Rate of Return
Large Cap Equities	22.50 %	4.25%
Small/Mid Cap Equities	<u>7.50</u>	4.50%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.50%
Emerging Int'l Equities	<u>7.00</u>	6.25%
Total international equities	20.00	
Core Bonds	5.00	0.75%
Short Duration	2.00	-0.25%
Global Multi-Sector Fixed Income	11.00	2.11%
Absolute Return Fixed Income	<u>7.00</u>	1.26%
Total fixed income	25.00	
Private equity	5.00	6.25%
Private debt	5.00	4.75%
Opportunistic	5.00	2.84%
Real estate	<u>10.00</u>	3.25%
Total alternative investments	<u>25.00</u>	
Total	<u><u>100.00</u></u> %	

G. Discount Rate

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

H. Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current rate:

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 20,262,755	\$ 15,380,286	\$ 11,379,296

I. Pension Plan Fiduciary Net Position

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

22. Other Post-Employment Benefits – OPEB (GASB 45)

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of January 1, 2015, the actuarial valuation date, approximately 18 retirees and 88 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

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

C. Funding Policy

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

D. Annual OPEB Costs and Net OPEB Obligation

The Town's 2017 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year December 31, 2017, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of January 1, 2015.

Annual Required Contribution (ARC)	\$ 215,150
Interest on net OPEB obligation	54,992
Adjustment to ARC	<u>(52,087)</u>
Annual OPEB cost	218,055
Contributions made	<u>(71,637)</u>
Increase in net OPEB obligation	146,418
Net OPEB obligation - beginning of year	<u>1,514,872</u>
Net OPEB obligation - end of year	<u>\$ 1,661,290</u>

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 218,055	32.9%	\$1,661,290
2016	\$ 218,055	32.9%	\$1,514,872
2015	\$ 219,017	32.7%	\$1,368,454

E. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2015, the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 1,800,682
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 1,800,682</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 5,060,221</u>
UAAL as a percentage of covered payroll	<u>35.6%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of OPEB Funding Progress, presented as required supplementary information following the Notes to the Financial Statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

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

liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4.5% investment rate of return and an initial annual healthcare cost trend rate of 10%, which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3%.

23. Commitments and Contingencies

Outstanding Legal Issues - On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

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

24. Implementation of New GASB Standard

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

TOWN OF DURHAM, NEW HAMPSHIRE
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
DECEMBER 31, 2017
(Unaudited)

New Hampshire Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2017	June 30, 2016	0.31273503%	\$15,380,286	\$6,245,115	246.28%	62.66%
June 30, 2016	June 30, 2015	0.31390000%	\$16,690,770	\$6,160,829	270.92%	58.30%
June 30, 2015	June 30, 2014	0.30896632%	\$12,239,784	\$6,004,318	203.85%	65.50%

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

See Independent Auditors' Report.

TOWN OF DURHAM, NEW HAMPSHIRE

SCHEDULE OF PENSION CONTRIBUTIONS

DECEMBER 31, 2017
(Unaudited)

New Hampshire Retirement System					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2017	\$ 1,195,801	\$ 1,195,801	\$ -	\$ 6,264,289	19.09%
December 31, 2016	\$ 1,115,632	\$ 1,115,632	\$ -	\$ 6,074,719	18.37%
December 31, 2015	\$ 1,199,885	\$ 1,199,885	\$ -	\$ 5,982,806	20.06%

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

See Independent Auditors' Report.

TOWN OF DURHAM, NEW HAMPSHIRE
SCHEDULE OF OPEB FUNDING PROGRESS
DECEMBER 31, 2017
(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
January 1, 2015	\$ -	\$ 1,800,682	\$ 1,800,682	0.0%	\$ 5,060,221	35.6%
January 1, 2012	\$ -	\$ 2,441,087	\$ 2,441,087	0.0%	\$ 3,016,082	80.9%
January 1, 2011	\$ -	\$ 2,165,559	\$ 2,165,559	0.0%	\$ 2,883,514	75.1%

See Independent Auditors' Report.

TOWN OF DURHAM, NEW HAMPSHIRE
GENERAL FUND
COMBINING SCHEDULE - GENERAL FUND BALANCE SHEET
DECEMBER 31, 2017

	<u>General</u>	<u>Capital Reserves</u>	<u>Library</u>	<u>Parking</u>	<u>Police Confidential</u>	<u>Eliminate Due To/From</u>	<u>Total General Fund</u>
ASSETS							
Cash and short-term investments	\$ 11,971,493	\$ -	\$ -	\$ 8,539	\$ 1,197	\$ -	\$ 11,981,229
Restricted cash	-	-	430,444	-	-	-	430,444
Investments	-	980,165	-	-	-	-	980,165
Receivables:							
Property taxes	1,058,586	-	-	-	-	-	1,058,586
Departmental and other	216,957	-	-	-	-	-	216,957
Due from other funds	2,418,993	-	3,537	-	-	(9,543)	2,412,987
Other assets	148,603	-	50	-	-	-	148,653
TOTAL ASSETS	\$ 15,814,632	\$ 980,165	\$ 434,031	\$ 8,539	\$ 1,197	\$ (9,543)	\$ 17,229,021
LIABILITIES							
Accounts payable	\$ 501,661	\$ 16	\$ 4,601	\$ 652	\$ -	\$ -	\$ 506,930
Accrued liabilities	156,983	-	12,366	1,082	-	-	170,431
Tax refunds payable	25,000	-	-	-	-	-	25,000
Taxes paid in advance	5,320	-	-	-	-	-	5,320
Due to other funds	57,198	6,006	-	-	-	(9,543)	53,661
Due to school district	10,390,350	-	-	-	-	-	10,390,350
Other liabilities	812,426	-	-	-	-	-	812,426
TOTAL LIABILITIES	11,948,938	6,022	16,967	1,734	-	(9,543)	11,964,118
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues	520,630	-	-	-	-	-	520,630
FUND BALANCES							
Nonspendable	143,603	-	50	-	-	-	143,653
Restricted	2,500	-	417,014	6,805	1,197	-	427,516
Committed	-	585,083	-	-	-	-	585,083
Assigned	451,532	420,080	-	-	-	-	871,612
Unassigned	2,747,429	(31,020)	-	-	-	-	2,716,409
TOTAL FUND BALANCES	3,345,064	974,143	417,064	6,805	1,197	-	4,744,273
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 15,814,632	\$ 980,165	\$ 434,031	\$ 8,539	\$ 1,197	\$ (9,543)	\$ 17,229,021

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

TOWN OF DURHAM, NEW HAMPSHIRE
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE - NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2017

	<u>Water Department</u>	<u>Conservation Commission</u>	<u>Depot Road</u>	<u>Church Hill Rink</u>	<u>Downtown TIF</u>	<u>Permanent Fund</u>	<u>Total</u>
ASSETS							
Cash and short-term investments	\$ 123,048	\$ 31,886	\$ 253,247	\$ 126,737	\$ 215,401	\$ -	\$ 750,319
Investments	201,216	-	-	-	-	433,631	634,847
Receivables:							
User fees	35,702	-	-	42,288	-	-	77,990
Due from other funds	15,524	28,619	-	-	-	-	44,143
Other assets	61,551	-	-	-	-	-	61,551
TOTAL ASSETS	\$ 437,041	\$ 60,505	\$ 253,247	\$ 169,025	\$ 215,401	\$ 433,631	\$ 1,568,850
LIABILITIES							
Accounts payable	\$ 8,955	\$ -	\$ 7,149	\$ 8,440	\$ -	\$ -	\$ 24,544
Accrued liabilities	2,754	-	-	2,923	-	-	5,677
Due to other funds	-	-	-	-	-	1,965	1,965
Other liabilities	-	1,015	-	-	-	-	1,015
TOTAL LIABILITIES	11,709	1,015	7,149	11,363	-	1,965	33,201
DEFERRED INFLOWS OF RESOURCES							
Unavailable revenues	31,966	-	-	12,088	-	-	44,054
FUND BALANCES							
Nonspendable	61,551	-	-	-	-	391,420	452,971
Restricted	-	59,490	222,060	145,574	109,165	40,246	576,535
Committed	336,054	-	-	-	106,236	-	442,290
Assigned	-	-	24,038	-	-	-	24,038
Unassigned	(4,239)	-	-	-	-	-	(4,239)
TOTAL FUND BALANCES	393,366	59,490	246,098	145,574	215,401	431,666	1,491,595
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 437,041	\$ 60,505	\$ 253,247	\$ 169,025	\$ 215,401	\$ 433,631	\$ 1,568,850

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

TOWN OF DURHAM, NEW HAMPSHIRE

GENERAL FUND

COMBINING SCHEDULE - GENERAL FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General</u>	<u>Capital Reserves</u>	<u>Library</u>	<u>Parking</u>	<u>Police Confidential</u>	<u>Eliminate Due To/From</u>	<u>Total General Fund</u>
Revenues:							
Property taxes	\$ 8,635,949	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,635,949
Motor vehicle permit fees	1,175,731	-	-	-	-	-	1,175,731
Penalties, interest and other taxes	168,530	-	-	-	-	-	168,530
Charges for services	402,939	-	-	361,739	-	-	764,678
Intergovernmental	3,539,049	-	-	-	-	-	3,539,049
Licenses and permits	236,526	-	-	29,985	-	-	266,511
Investment income	21,749	22,001	192	-	-	-	43,942
Contributions	1,013	66,983	39,931	-	-	-	107,927
Miscellaneous	370,339	30,484	-	275	-	-	401,098
Total Revenues	14,551,825	119,468	40,123	391,999	-	-	15,103,415
Expenditures:							
Current:							
General government	2,486,837	5,450	-	-	-	-	2,492,287
Public safety	6,958,890	-	-	253,260	-	-	7,212,150
Highways and streets	1,424,761	-	-	-	-	-	1,424,761
Sanitation	626,763	-	-	-	-	-	626,763
Health and human services	20,750	-	-	-	-	-	20,750
Welfare	20,634	-	-	-	-	-	20,634
Culture and recreation	381,749	-	485,110	-	-	-	866,859
Conservation	84,984	-	-	-	-	-	84,984
Debt service	1,308,295	-	-	-	-	-	1,308,295
Total Expenditures	13,313,663	5,450	485,110	253,260	-	-	14,057,483
Excess (deficiency) of revenues over expenditures	1,238,162	114,018	(444,987)	138,739	-	-	1,045,932
Other Financing Sources (Uses):							
Transfers in	518,785	232,379	453,430	-	-	(986,996)	217,598
Transfers out	(1,138,379)	(377,417)	-	(131,934)	-	986,996	(660,734)
Total Other Financing Sources (Uses)	(619,594)	(145,038)	453,430	(131,934)	-	-	(443,136)
Change in fund balance	618,568	(31,020)	8,443	6,805	-	-	602,796
Fund Balance, at Beginning of Year	2,726,496	1,005,163	408,621	-	1,197	-	4,141,477
Fund Balance, at End of Year	\$ 3,345,064	\$ 974,143	\$ 417,064	\$ 6,805	\$ 1,197	\$ -	\$ 4,744,273

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

TOWN OF DURHAM, NEW HAMPSHIRE

NONMAJOR GOVERNMENTAL FUNDS

COMBINING SCHEDULE - NONMAJOR GOVERNMENTAL FUNDS REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2017

	Water <u>Department</u>	Conservation <u>Commission</u>	Depot <u>Road</u>	Church Hill <u>Rink</u>	Downtown <u>TIF</u>	<u>PTF</u>	<u>Total</u>
Revenues:							
Property taxes	\$ -	\$ 27,927	\$ -	\$ -	\$ 109,165	\$ -	\$ 137,092
Penalties, interest and other taxes	1,983	692	-	-	-	-	2,675
Charges for services	782,140	-	50,739	228,177	-	-	1,061,056
Intergovernmental	17,025	-	-	-	-	-	17,025
Licenses and permits	-	-	78,120	-	-	-	78,120
Investment income	6,156	1,653	-	-	-	21,171	28,980
Contributions	-	-	-	-	-	2,815	2,815
Miscellaneous	<u>23,975</u>	<u>400</u>	<u>-</u>	<u>4,100</u>	<u>-</u>	<u>-</u>	<u>28,475</u>
Total Revenues	831,279	30,672	128,859	232,277	109,165	23,986	1,356,238
Expenditures:							
Current:							
General government	-	-	26,307	-	-	-	26,307
Highways and streets	325,301	-	-	-	-	-	325,301
Culture and recreation	-	-	-	194,224	-	-	194,224
Conservation	-	371,489	-	-	-	-	371,489
Debt service	<u>292,089</u>	<u>-</u>	<u>-</u>	<u>3,607</u>	<u>-</u>	<u>-</u>	<u>295,696</u>
Total Expenditures	<u>617,390</u>	<u>371,489</u>	<u>26,307</u>	<u>197,831</u>	<u>-</u>	<u>-</u>	<u>1,213,017</u>
Excess (deficiency) of revenues over expenditures	213,889	(340,817)	102,552	34,446	109,165	23,986	143,221
Other Financing Sources (Uses):							
Transfers out	<u>(289,836)</u>	<u>-</u>	<u>(70,608)</u>	<u>(78)</u>	<u>-</u>	<u>-</u>	<u>(360,522)</u>
Total Other Financing Sources (Uses)	<u>(289,836)</u>	<u>-</u>	<u>(70,608)</u>	<u>(78)</u>	<u>-</u>	<u>-</u>	<u>(360,522)</u>
Change in fund balance	(75,947)	(340,817)	31,944	34,368	109,165	23,986	(217,301)
Fund Balance, at Beginning of Year	<u>469,313</u>	<u>400,307</u>	<u>214,154</u>	<u>111,206</u>	<u>106,236</u>	<u>407,680</u>	<u>1,708,896</u>
Fund Balance, at End of Year	<u>\$ 393,366</u>	<u>\$ 59,490</u>	<u>\$ 246,098</u>	<u>\$ 145,574</u>	<u>\$ 215,401</u>	<u>\$ 431,666</u>	<u>\$ 1,491,595</u>

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