

TOWN OF EXETER, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2017

TOWN OF EXETER, NEW HAMPSHIRE

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Exeter, New Hampshire

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Exeter, New Hampshire, as of December 31, 2017, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 Town'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 Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Exeter, New Hampshire, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof 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 OPEB and Pension schedules 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 25, 2018 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting

and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Melanson Heath

October 25, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town, we offer readers this narrative overview and analysis of the financial activities of the Town 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 are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows 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 fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of 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 (business-type activities). The governmental activities include general government, public safety, public works, health and human services, culture and recreation, sanitation, conservation and interest on long-term debt. The business-type activities include water and sewer services.

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 three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town'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 Town'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.

Proprietary funds. Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for water and sewer services, which are considered to be major funds.

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 infor-

mation which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$18,957,656 (i.e., net position), a change of \$2,127,457 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$7,366,011, a change of \$2,521,952 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$2,833,132, a change of \$624,217.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years (in thousands):

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 25,511	\$ 21,634	\$ 9,126	\$ 3,543	\$ 34,637	\$ 25,177
Capital assets	<u>21,840</u>	<u>20,563</u>	<u>41,001</u>	<u>27,670</u>	<u>62,841</u>	<u>48,233</u>
Total assets	47,351	42,197	50,127	31,213	97,478	73,410
Deferred outflows of resources	2,480	4,456	245	441	2,725	4,897
Other liabilities	15,977	15,522	21,876	3,946	37,853	19,468
Long term liabilities	<u>25,243</u>	<u>24,571</u>	<u>16,557</u>	<u>17,174</u>	<u>41,800</u>	<u>41,745</u>
Total liabilities	41,220	40,093	38,433	21,120	79,653	61,213
Deferred inflows of resources	1,531	240	61	24	1,592	264
Net position:						
Net investments in capital assets	18,422	17,333	11,100	9,655	29,522	26,988
Restricted	2,296	1,560	-	-	2,296	1,560
Unrestricted	<u>(13,638)</u>	<u>(12,573)</u>	<u>778</u>	<u>855</u>	<u>(12,860)</u>	<u>(11,718)</u>
Total net position	<u>\$ 7,080</u>	<u>\$ 6,320</u>	<u>\$ 11,878</u>	<u>\$ 10,510</u>	<u>\$ 18,958</u>	<u>\$ 16,830</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$18,957,656, a change of \$2,127,457 from the prior year.

The largest portion of net position, \$29,521,723, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$2,296,329, 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 \$(12,860,396) which primarily results from the Town's net pension liability and net OPEB obligation.

CHANGE IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues:						
Charges for services	\$ 3,162	\$ 3,295	\$ 6,356	\$ 4,862	\$ 9,518	\$ 8,157
Operating grants and contributions	1,462	280	-	-	1,462	280
Capital grants and contributions	37	1,404	22	89	59	1,493
General revenues:						
Property taxes	12,374	11,667	-	-	12,374	11,667
Motor vehicle registrations	2,881	2,631	-	-	2,881	2,631
Penalties, interest and other taxes	280	293	-	-	280	293
Grants and contributions not restricted to specific programs	1,070	1,048	-	-	1,070	1,048
Investment income	59	41	-	-	59	41
Miscellaneous	243	314	-	-	243	314
Total revenues	<u>21,568</u>	<u>20,973</u>	<u>6,378</u>	<u>4,951</u>	<u>27,946</u>	<u>25,924</u>

(continued)

(continued)

	CHANGE IN NET POSITION					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Expenses:						
General government	4,017	2,530	-	-	4,017	2,530
Public safety	8,323	8,590	-	-	8,323	8,590
Public works	4,133	4,174	-	-	4,133	4,174
Health and human services	329	354	-	-	329	354
Culture and recreation	2,224	2,178	-	-	2,224	2,178
Sanitation	922	877	-	-	922	877
Conservation	151	163	-	-	151	163
Interest	505	393	-	-	505	393
Water services	-	-	2,917	2,843	2,917	2,843
Sewer services	-	-	2,297	2,081	2,297	2,081
Total expenses	<u>20,604</u>	<u>19,259</u>	<u>5,214</u>	<u>4,924</u>	<u>25,818</u>	<u>24,183</u>
Change in net position before transfers	964	1,714	1,164	27	2,128	1,741
Transfers in (out)	<u>(204)</u>	<u>(176)</u>	<u>204</u>	<u>176</u>	<u>-</u>	<u>-</u>
Change in net position	760	1,538	1,368	203	2,128	1,741
Net position - beginning of year	<u>6,320</u>	<u>4,782</u>	<u>10,510</u>	<u>10,307</u>	<u>16,830</u>	<u>15,089</u>
Net position - end of year	<u>\$ 7,080</u>	<u>\$ 6,320</u>	<u>\$ 11,878</u>	<u>\$ 10,510</u>	<u>\$ 18,958</u>	<u>\$ 16,830</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$759,982. Key elements of this change are as follows:

Increase in net pension liability, net of deferred outflows/inflows	\$ (495,185)
Capital assets acquired with current year revenues	649,584
Supplemental Highway block grant revenue	254,066
Epping Road TIF revenues exceeding expenses	503,396
Depreciation expense in excess of principal debt service	(240,622)
Other	<u>88,743</u>
Total	<u>\$ 759,982</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$1,367,475. Key elements of this change are as follows:

Water services	\$ 627,372
Sewer services	<u>740,103</u>
Total	<u>\$ 1,367,475</u>

The primary factor for the positive change in net position was a result of the Town implementing increased water/sewer rates that were effective beginning January 1, 2017 based on the result of a water/sewer rate study to ensure rates are at a level to cover current and future operating and capital expenses.

D. FINANCIAL ANALYSIS OF THE TOWN'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$7,366,011, a change of \$2,521,952 in comparison to the prior year. Key elements of this change are as follows:

General fund operations	\$ 101,557
Capital lease proceeds	276,587
Capital project fund excess revenues, bond proceeds, and transfers in over expenses and transfers out	1,247,877
Nonmajor fund activities	831,549
Other	<u>64,382</u>
Total	<u>\$ 2,521,952</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$2,833,132, while total fund balance was \$3,534,781. 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>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 2,833,132	\$ 2,208,915	\$ 624,217	15.9%
Total fund balance	\$ 3,534,781	\$ 2,996,141	\$ 538,640	19.8%

The total fund balance of the general fund changed by \$538,640 during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (714,000)
Revenues greater than budget	355,609
Expenditures less than budget	530,421
Tax collections as compared to budget	129,878
Change in encumbrances	230,185
Change in capital reserves	(36,011)
Other	<u>42,558</u>
Total	\$ <u><u>538,640</u></u>

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

	<u>12/31/17</u>	<u>12/31/16</u>	<u>Change</u>
Capital reserves	\$ 101,783	\$ 137,794	\$ (36,011)

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$777,656, a change of \$(77,764) over the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no differences, other than reclassifications, between the original budget and the final amended budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$62,840,240 (net of accumulated depreciation), a change of \$14,606,900 from the prior year. This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure.

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

- Bridge, dam, and culvert replacements
- Water and sewer infrastructure enhancements

- Design and construction costs for new Wastewater Treatment Plant
- Police cruisers, pickup trucks, dump truck and backhoe

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

Credit Rating. The Town's bond rating from Moody's of "A1" was maintained during calendar year 2017.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$19,886,189, all of which was backed by the full faith and credit of the government.

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

REQUESTS FOR INFORMATION

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

Town Manager
Town of Exeter, New Hampshire
10 Front Street
Exeter, New Hampshire 03833

TOWN OF EXETER, NEW HAMPSHIRE
STATEMENT OF NET POSITION
DECEMBER 31, 2017

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 23,188,855	\$ 6,644,473	\$ 29,833,328
Investments	403,006	-	403,006
Receivables, net of allowance for uncollectibles:			
Property taxes	951,019	-	951,019
User fees	-	647,479	647,479
Departmental	376,954	-	376,954
Intergovernmental	11,400	1,522,875	1,534,275
Other assets	36,013	311,632	347,645
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	544,547	-	544,547
Capital assets:			
Land and construction in progress	13,606,653	18,012,755	31,619,408
Capital assets, net of accumulated depreciation	8,232,984	22,987,848	31,220,832
Deferred Outflows of Resources			
Related to pensions	<u>2,480,145</u>	<u>245,289</u>	<u>2,725,434</u>
Total Assets and Deferred Outflows of Resources			
	49,831,576	50,372,351	100,203,927
Liabilities			
Current:			
Accounts payable	748,583	3,341,847	4,090,430
Retainage payable	18,815	1,292,189	1,311,004
Accrued liabilities	263,587	144,192	407,779
Due to other governments	14,945,912	-	14,945,912
Notes payable	-	17,098,064	17,098,064
Current portion of long-term liabilities:			
Bonds payable	650,499	1,473,185	2,123,684
Other liabilities	372,955	104,851	477,806
Noncurrent:			
Bonds payable, net of current portion	4,727,588	13,034,917	17,762,505
Net OPEB obligation	1,157,008	193,018	1,350,026
Net pension liability	17,185,148	1,699,630	18,884,778
Other liabilities, net of current portion	1,150,173	51,447	1,201,620
Deferred Inflows of Resources			
Related to pensions	618,627	61,183	679,810
Other	<u>912,853</u>	<u>-</u>	<u>912,853</u>
Total Liabilities and Deferred Inflows of Resources			
	42,751,748	38,494,523	81,246,271
Net Position			
Net investment in capital assets	18,421,551	11,100,172	29,521,723
Restricted for:			
Grants and other statutory restrictions	1,841,534	-	1,841,534
Permanent funds:			
Nonexpendable	53,454	-	53,454
Expendable	401,341	-	401,341
Unrestricted	<u>(13,638,052)</u>	<u>777,656</u>	<u>(12,860,396)</u>
Total Net Position	<u>\$ 7,079,828</u>	<u>\$ 11,877,828</u>	<u>\$ 18,957,656</u>

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

TOWN OF EXETER, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net(Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities							
General government	\$ 4,016,802	\$ 328,501	\$ 1,035,699	\$ -	\$ (2,652,602)	\$ -	\$ (2,652,602)
Public safety	8,323,228	1,614,192	21,190	-	(6,687,846)	-	(6,687,846)
Public works	4,133,398	533,119	315,275	36,740	(3,248,264)	-	(3,248,264)
Health and human services	328,565	-	1,880	-	(326,685)	-	(326,685)
Culture and recreation	2,223,611	648,844	87,984	-	(1,486,783)	-	(1,486,783)
Sanitation	922,084	38,475	-	-	(883,609)	-	(883,609)
Conservation	150,973	-	-	-	(150,973)	-	(150,973)
Interest on long-term debt	506,596	-	-	-	(506,596)	-	(506,596)
Total Governmental Activities	20,605,257	3,163,131	1,462,028	36,740	(15,943,358)	-	(15,943,358)
Business-Type Activities							
Water services	2,916,742	3,356,224	-	-	-	439,482	439,482
Sewer services	2,296,544	3,000,218	-	20,701	-	724,375	724,375
Total Business-Type Activities	5,213,286	6,356,442	-	20,701	-	1,163,857	1,163,857
Total	\$ 25,818,543	\$ 9,519,573	\$ 1,462,028	\$ 57,441	(15,943,358)	1,163,857	(14,779,501)
General Revenues and Transfers							
Property taxes					12,373,621	-	12,373,621
Motor vehicle registrations					2,881,139	-	2,881,139
Penalties, interest and other taxes					279,742	-	279,742
Grants and contributions not restricted to specific programs					1,070,110	-	1,070,110
Investment income					59,145	-	59,145
Miscellaneous					243,201	-	243,201
Transfers, net					(203,618)	203,618	-
Total general revenues and transfers					16,703,340	203,618	16,906,958
Change in Net Position					759,982	1,367,475	2,127,457
Net Position							
Beginning of year					6,319,846	10,510,353	16,830,199
End of year					\$ 7,079,828	\$ 11,877,828	\$ 18,957,656

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

TOWN OF EXETER, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2017

	<u>General</u>	<u>Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and short-term investments	\$ 19,361,438	\$ 1,833,866	\$ 1,993,551	\$ 23,188,855
Investments	-	-	403,006	403,006
Receivables:				
Property taxes	1,661,741	-	-	1,661,741
Departmental	99,600	-	277,354	376,954
Intergovernmental	-	11,400	-	11,400
Other assets	36,013	-	-	36,013
Total Assets	\$ 21,158,792	\$ 1,845,266	\$ 2,673,911	\$ 25,677,969
Liabilities				
Accounts payable	\$ 318,134	\$ 291,550	\$ 138,899	\$ 748,583
Retainage payable	-	18,815	-	18,815
Accrued liabilities	217,024	-	2,118	219,142
Due to other governments	14,945,912	-	-	14,945,912
Other liabilities	5,555	-	-	5,555
Total Liabilities	15,486,625	310,365	141,017	15,938,007
Deferred Inflows of Resources				
Unavailable revenues	1,224,533	-	236,565	1,461,098
Taxes collected in advance	912,853	-	-	912,853
Fund Balances				
Nonspendable	369,681	-	53,454	423,135
Restricted	-	2,698,095	2,455,788	5,153,883
Committed	101,783	-	-	101,783
Assigned	230,185	-	-	230,185
Unassigned	2,833,132	(1,163,194)	(212,913)	1,457,025
Total Fund Balance	3,534,781	1,534,901	2,296,329	7,366,011
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ 21,158,792	\$ 1,845,266	\$ 2,673,911	\$ 25,677,969

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

TOWN OF EXETER, 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	\$ 7,366,011
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	21,839,637
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,294,923
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(38,890)
• Long-term liabilities are not due and payable in the current period and therefore are not reported in the governmental funds:	
Bonds payable	(5,378,087)
Net OPEB obligation	(1,157,008)
Net pension liability, net of related deferred outflows/inflows of resources	(15,323,630)
Capital leases	(995,075)
Compensated absences	<u>(528,053)</u>
Net position of governmental activities	\$ <u>7,079,828</u>

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

TOWN OF EXETER, 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 Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 11,945,453	\$ -	\$ 505,729	\$ 12,451,182
Motor vehicle registrations	2,881,139	-	-	2,881,139
Penalties, interest, and other taxes	275,713	-	-	275,713
Charges for services	886,542	-	1,627,859	2,514,401
Intergovernmental	1,070,110	36,740	1,306,157	2,413,007
Licenses and permits	595,309	-	-	595,309
Investment income	3,564	-	55,581	59,145
Contributions	63,379	-	92,492	155,871
Miscellaneous	243,201	-	-	243,201
	<u>17,964,410</u>	<u>36,740</u>	<u>3,587,818</u>	<u>21,588,968</u>
Total Revenues				
Expenditures				
Current:				
General government	2,618,775	-	1,291,587	3,910,362
Public safety	7,389,990	-	487,747	7,877,737
Public works	4,113,462	-	61,809	4,175,271
Health and human services	322,440	-	2,333	324,773
Culture and recreation	1,341,586	-	839,631	2,181,217
Sanitation	922,084	-	-	922,084
Conservation	143,378	-	600	143,978
Debt service	887,252	-	72,562	959,814
Capital outlay	123,886	1,558,863	-	1,682,749
	<u>17,862,853</u>	<u>1,558,863</u>	<u>2,756,269</u>	<u>22,177,985</u>
Total Expenditures				
Excess (Deficiency) of Revenues				
Over Expenditures	101,557	(1,522,123)	831,549	(589,017)
Other Financing Sources (Uses)				
Capital lease proceeds	276,587	-	-	276,587
Bond proceeds	-	2,598,037	-	2,598,037
Premiums from issuance of bonds	-	439,963	-	439,963
Transfers in	560,637	-	196,523	757,160
Transfers out	(400,141)	(268,000)	(292,637)	(960,778)
	<u>437,083</u>	<u>2,770,000</u>	<u>(96,114)</u>	<u>3,110,969</u>
Total Other Financing Sources (Uses)				
Change in Fund Balance	538,640	1,247,877	735,435	2,521,952
Fund Balance at Beginning of Year	2,996,141	287,024	1,560,894	4,844,059
Fund Balance at End of Year	<u>\$ 3,534,781</u>	<u>\$ 1,534,901</u>	<u>\$ 2,296,329</u>	<u>\$ 7,366,011</u>

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

TOWN OF EXETER, 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	\$ 2,521,952																																
<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: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay</td> <td style="text-align: right;">1,991,270</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(650,422)</td> </tr> <tr> <td>Loss on disposals</td> <td style="text-align: right;">(64,103)</td> </tr> </table> • 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 (e.g., property taxes) differ between the two statements. This amount represents the net change in unavailable revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(20,111)</td> </tr> </table> • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table border="0" style="margin-left: 40px;"> <tr> <td>Repayments of bonds</td> <td style="text-align: right;">409,800</td> </tr> <tr> <td>Repayments of capital leases</td> <td style="text-align: right;">410,976</td> </tr> <tr> <td>Issuance of bonds</td> <td style="text-align: right;">(2,598,037)</td> </tr> <tr> <td>Issuance of capital leases</td> <td style="text-align: right;">(276,587)</td> </tr> <tr> <td>Premiums from issuance of bonds</td> <td style="text-align: right;">(439,963)</td> </tr> <tr> <td>Bond premium amortization</td> <td style="text-align: right;">35,913</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">7,505</td> </tr> </table> • Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds: <table border="0" style="margin-left: 40px;"> <tr> <td>Compensated absences</td> <td style="text-align: right;">(1,289)</td> </tr> <tr> <td>Net OPEB obligation</td> <td style="text-align: right;">(71,737)</td> </tr> <tr> <td>Net pension liability</td> <td style="text-align: right;">1,858,416</td> </tr> <tr> <td>Change in deferred outflows of resources related to pensions</td> <td style="text-align: right;">(1,975,447)</td> </tr> <tr> <td>Change in deferred inflows of resources related to pensions</td> <td style="text-align: right;"><u>(378,154)</u></td> </tr> </table> 		Capital outlay	1,991,270	Depreciation	(650,422)	Loss on disposals	(64,103)		(20,111)	Repayments of bonds	409,800	Repayments of capital leases	410,976	Issuance of bonds	(2,598,037)	Issuance of capital leases	(276,587)	Premiums from issuance of bonds	(439,963)	Bond premium amortization	35,913		7,505	Compensated absences	(1,289)	Net OPEB obligation	(71,737)	Net pension liability	1,858,416	Change in deferred outflows of resources related to pensions	(1,975,447)	Change in deferred inflows of resources related to pensions	<u>(378,154)</u>
Capital outlay	1,991,270																																
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Change in deferred inflows of resources related to pensions	<u>(378,154)</u>																																
Change in net position of governmental activities	\$ <u>759,982</u>																																

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

TOWN OF EXETER, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 11,028,779	\$ 11,815,575	\$ 11,815,575	\$ -
Interest, penalties, and other taxes	235,551	235,551	275,713	40,162
Charges for services	920,000	920,000	886,542	(33,458)
Intergovernmental	1,524,074	1,117,673	1,070,110	(47,563)
Licenses and permits	3,190,000	3,270,000	3,476,448	206,448
Investment income	500	500	420	(80)
Miscellaneous	<u>203,500</u>	<u>203,500</u>	<u>243,201</u>	<u>39,701</u>
Total Revenues	17,102,404	17,562,799	17,768,009	205,210
Expenditures				
Current:				
General government	2,578,272	2,578,272	2,569,047	9,225
Public safety	7,704,303	7,705,303	7,389,497	315,806
Public works	3,842,974	3,841,974	3,835,616	6,358
Sanitation	908,556	908,556	922,084	(13,528)
Health and human services	156,948	156,948	155,109	1,839
Welfare	137,778	137,778	167,331	(29,553)
Culture and recreation	1,543,946	1,543,946	1,536,279	7,667
Conservation	147,260	147,260	143,378	3,882
Capital outlay	520,076	560,471	347,109	213,362
Debt service:				
Principal	199,800	519,800	519,800	-
Interest	<u>583,712</u>	<u>583,712</u>	<u>571,070</u>	<u>12,642</u>
Total Expenditures	<u>18,323,625</u>	<u>18,684,020</u>	<u>18,156,320</u>	<u>527,700</u>
Other financing sources (uses)				
Transfers in	607,221	507,221	657,620	150,399
Transfers out	(100,000)	(100,000)	(102,721)	(2,721)
Use of fund balance	<u>714,000</u>	<u>714,000</u>	<u>-</u>	<u>(714,000)</u>
Total Other Financing Sources (Uses)	<u>1,221,221</u>	<u>1,121,221</u>	<u>554,899</u>	<u>(566,322)</u>
Excess of Revenues and Other Sources Over Expenditures and Other Uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 166,588</u>	<u>\$ 166,588</u>

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

TOWN OF EXETER, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

DECEMBER 31, 2017

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Assets			
Current:			
Cash and short-term investments	\$ 475,646	\$ 6,168,827	\$ 6,644,473
User fees, net of allowance for uncollectibles	326,589	320,890	647,479
Intergovernmental receivable	5,185	1,517,690	1,522,875
Prepaid items	311,632	-	311,632
Total current assets	1,119,052	8,007,407	9,126,459
Noncurrent:			
Land and construction in progress	7,828,605	10,184,150	18,012,755
Capital assets, net of accumulated depreciation	8,258,063	14,729,785	22,987,848
Total noncurrent assets	16,086,668	24,913,935	41,000,603
Deferred Outflows of Resources			
Related to pensions	136,272	109,017	245,289
Total Assets and Deferred Outflows of Resources	17,341,992	33,030,359	50,372,351
Liabilities			
Current:			
Accounts payable	36,365	3,305,482	3,341,847
Retainage payable	-	1,292,189	1,292,189
Accrued liabilities	99,494	44,698	144,192
Notes payable	-	17,098,064	17,098,064
Current portion of long-term liabilities:			
Bonds payable	965,347	507,838	1,473,185
Other liabilities	15,551	89,300	104,851
Total current liabilities	1,116,757	22,337,571	23,454,328
Noncurrent:			
Bonds payable, net of current portion	9,639,242	3,395,675	13,034,917
Net OPEB obligation	105,900	87,118	193,018
Net pension liability	944,239	755,391	1,699,630
Other liabilities, net of current portion	26,211	25,236	51,447
Total noncurrent liabilities	10,715,592	4,263,420	14,979,012
Deferred Inflows of Resources			
Related to pensions	33,991	27,192	61,183
Total Liabilities and Deferred Inflows of Resources	11,866,340	26,628,183	38,494,523
Net Position			
Net investment of capital assets	5,803,177	5,296,995	11,100,172
Unrestricted	(327,525)	1,105,181	777,656
Total Net Position	\$ 5,475,652	\$ 6,402,176	\$ 11,877,828

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

TOWN OF EXETER, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues			
Charges for services	\$ 3,325,635	\$ 2,735,317	\$ 6,060,952
Other	<u>30,589</u>	<u>264,901</u>	<u>295,490</u>
Total Operating Revenues	3,356,224	3,000,218	6,356,442
Operating Expenses			
Operating expenses	2,102,082	1,749,402	3,851,484
Depreciation	<u>413,256</u>	<u>378,481</u>	<u>791,737</u>
Total Operating Expenses	<u>2,515,338</u>	<u>2,127,883</u>	<u>4,643,221</u>
Operating Income	840,886	872,335	1,713,221
Nonoperating Revenues (Expenses)			
Interest expense	<u>(401,404)</u>	<u>(168,661)</u>	<u>(570,065)</u>
Total Nonoperating (Expenses)	<u>(401,404)</u>	<u>(168,661)</u>	<u>(570,065)</u>
Income Before Transfers and Capital Contributions	439,482	703,674	1,143,156
Transfers and Capital Contributions			
Capital contributions	-	20,701	20,701
Transfers in	<u>187,890</u>	<u>15,728</u>	<u>203,618</u>
Change in Net Position	627,372	740,103	1,367,475
Net Position at Beginning of Year	<u>4,848,280</u>	<u>5,662,073</u>	<u>10,510,353</u>
Net Position at End of Year	<u>\$ 5,475,652</u>	<u>\$ 6,402,176</u>	<u>\$ 11,877,828</u>

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

TOWN OF EXETER, NEW HAMPSHIRE
 PROPRIETARY FUNDS
 STATEMENT OF CASH FLOWS
 FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 3,299,674	\$ 2,952,742	\$ 6,252,416
Payments to vendors and employees	<u>(2,418,247)</u>	<u>(1,781,913)</u>	<u>(4,200,160)</u>
Net Cash Provided By Operating Activities	881,427	1,170,829	2,052,256
<u>Cash Flows From Noncapital Financing Activities:</u>			
Transfer in	<u>187,890</u>	<u>15,728</u>	<u>203,618</u>
Net Cash Provided By Noncapital Financing Activities	187,890	15,728	203,618
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Proceeds from issuance of bonds	182,411	799,202	981,613
Proceeds from issuance of state revolving fund	-	17,098,064	17,098,064
Acquisition and construction of capital assets	(100,218)	(9,464,544)	(9,564,762)
Principal payments on bonds	(869,583)	(453,705)	(1,323,288)
Principal payments on leases	(14,617)	(88,417)	(103,034)
Principal payments on bond anticipation note	-	(3,300,000)	(3,300,000)
Interest expense	(717,360)	(178,091)	(895,451)
Capital contribution	<u>4,815</u>	<u>(1,496,989)</u>	<u>(1,492,174)</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(1,514,552)</u>	<u>2,915,520</u>	<u>1,400,968</u>
Net Change in Cash and Short-Term Investments	(445,235)	4,102,077	3,656,842
Cash and Short-Term Investments, Beginning of Year	<u>920,881</u>	<u>2,066,750</u>	<u>2,987,631</u>
Cash and Short-Term Investments, End of Year	<u>\$ 475,646</u>	<u>\$ 6,168,827</u>	<u>\$ 6,644,473</u>
<u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</u>			
Operating income	\$ 840,886	\$ 872,335	\$ 1,713,221
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	413,256	378,481	791,737
Changes in assets and liabilities:			
User fees	(56,550)	(47,476)	(104,026)
Deferred outflows related to pensions	108,541	86,834	195,375
Warrants and retainage payable	(360,822)	(59,841)	(420,663)
Net OPEB obligation	6,566	5,402	11,968
Net pension liability	(102,111)	(81,689)	(183,800)
Other liabilities	10,883	161	11,044
Deferred inflows related to pensions	<u>20,778</u>	<u>16,622</u>	<u>37,400</u>
Net Cash Provided By Operating Activities	<u>\$ 881,427</u>	<u>\$ 1,170,829</u>	<u>\$ 2,052,256</u>
<u>Noncash Investing, Capital, and Financing Activities:</u>			
Acquisition and construction of capital assets not yet paid	<u>\$ -</u>	<u>\$ (4,557,130)</u>	<u>\$ (4,557,130)</u>

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

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

	Private Purpose Trust Funds	Agency Funds
Assets		
Cash and short-term investments	\$ 6,550	\$ 2,720,668
Total Assets	6,550	2,720,668
 Liabilities		
Due to other governments	-	1,790,424
Deposits held in custody	-	930,244
Total Liabilities	-	2,720,668
 Net Position		
Restricted for other purposes	\$ 6,550	\$ -

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

TOWN OF EXETER, 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	
Interest	\$ <u>109</u>
Total additions	<u>109</u>
Deductions	
Benefits	<u>10,958</u>
Total deductions	<u>10,958</u>
Net decrease	(10,849)
Net position restricted for other purposes	
Beginning of year	<u>17,399</u>
End of year	<u><u>\$ 6,550</u></u>

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

TOWN OF EXETER, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded for 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*, as is the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *general fund* is the Town'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 project fund* accounts for the activity pertaining to various infrastructure construction/renovation projects.

The proprietary 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.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- The *water fund* accounts for the operating activities and capital projects of the Town's water services.
- The *sewer fund* accounts for the operating activities and capital projects of the Town's sewer services.

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

The Town reports the following fiduciary funds:

- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in permanent funds, 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.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type 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 two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	20
Infrastructure	25
Vehicles	5-15
Office equipment	5
Computer equipment	5

G. 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, proprietary, and fiduciary fund 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.

H. Long-term Obligations

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

I. Fund Equity

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

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

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

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

J. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

The Town's budget is originally prepared by the Town Manager under the supervision of the Board of Selectmen. It is then reviewed by the Budget Recommendations Committee. The Board of Selectmen then finalizes the operating budget, which is subject to deliberative session under RSA 40:13.

The final version of the budget is then voted on by the general population at the ballot the second Tuesday in March of each year. Should the operating budget of the Town fail to pass, the Town operates under a default budget as described in RSA 40:13.

The approved budget is subsequently reported to the State of New Hampshire on the Report of Appropriations Actually Voted form in order to establish the current property tax rate.

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

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)	\$ 17,964,410	\$ 17,862,853
Other financing sources/uses (GAAP Basis)	<u>837,224</u>	<u>400,141</u>
Subtotal (GAAP Basis)	18,801,634	18,262,994
Remove effect of combining capital reserves and general fund	83,477	47,466
Adjust tax revenue to budgetary basis	(129,878)	-
Add end-of-year appropriation carryforwards to expenditures	-	230,185
To reverse nonbudgeted capital lease activity	(276,587)	(276,587)
Other	<u>(53,017)</u>	<u>(5,017)</u>
Budgetary Basis	<u>\$ 18,425,629</u>	<u>\$ 18,259,041</u>

D. Deficit Fund Equity

The following funds had deficits as of December 31, 2017:

Capital Project Fund:

Great Bridge	\$	(173,774)	(B)
Water treatment design		(63,566)	(B)
Belmont Front Street		(24,438)	(B)
Stewart Park seawall		(105,794)	(B)
Industrial Drive culvert		(2,109)	(B)
String Bridge		<u>(793,513)</u>	(A)
Subtotal		(1,163,194)	

Nonmajor Governmental Funds:

Transportation Fund		(100,781)	(A)
Liquor enforcement		(2,718)	(A)
Distracted driving		(2,102)	(A)
State Crimestoppers grant		(44)	(A)
Community development block grant		<u>(107,268)</u>	(A)
Subtotal		<u>(212,913)</u>	

Total \$ (1,376,107)

(A) – The deficits in these funds will be eliminated through future departmental revenues and bond proceeds.

(B) – The Town will develop a plan to address these deficits.

3. Cash and Short-Term Investments

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

As of December 31, 2017, \$67,944 of the Town's bank balance of \$31,697,276 was exposed to custodial credit risk as uninsured or uncollateralized. The uncollateralized amount, \$67,944, represents the cash portion of the Edward Jones investment portfolio, held by the Library Trustees.

4. 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:

Investment Type	Fair Value	Exempt From Disclosure	Rating as of Year End					
			Aaa	Aa2	Aa3	A3	Baa1	Baa2
Corporate bonds	\$ 16,313	\$ -	\$ 16,313	\$ -	\$ -	\$ -	\$ -	\$ -
Equity mutual funds	283,627	283,627						
Fixed income mutual funds	103,066	-	33,025	10,893	18,037	21,145	8,426	11,540
Total investments	\$ 403,006	\$ 283,627	\$ 49,338	\$ 10,893	\$ 18,037	\$ 21,145	\$ 8,426	\$ 11,540

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 held by the Town's brokerage firm, which is also the Counterparty to these securities. The Town manages this custodial credit risk with SIPC and excess SIPC.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities and mutual funds) that represent 5% or more of total investments are:

<u>Investment Issuer</u>	<u>Amount</u>
Ishares IBOXX	\$ 21,145
Pimco MTG Opportunities	30,304
Capital Income Builder	23,133
Harbor International FD	23,543
Income Fund of America	33,201
Ishares Core S&P 500 ETF	53,743
Total	\$ <u>185,069</u>

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:

Investment Type	Fair Value	Investment Maturities (in Years)			
		< 1	1-5	6-10	More than 10
Corporate bonds	\$ 16,313	\$ 16,313	\$ -	\$ -	\$ -
Fixed income mutual funds	<u>103,066</u>	<u>-</u>	<u>49,623</u>	<u>32,297</u>	<u>21,146</u>
Total	<u>\$ 119,379</u>	<u>\$ 16,313</u>	<u>\$ 49,623</u>	<u>\$ 32,297</u>	<u>\$ 21,146</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:

Description	Fair Value Measurements Using:		
	Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:			
Debt securities:			
Corporate bonds	\$ 16,313	\$ -	\$ 16,313
Equity mutual funds	283,627	-	283,627
Fixed income mutual funds	<u>103,066</u>	<u>-</u>	<u>103,066</u>
Total	<u>\$ 403,006</u>	<u>\$ -</u>	<u>\$ 403,006</u>

5. Property Taxes

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

Taxes receivable at 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	\$ 1,054,486	\$ (105,449)	\$ 949,037
Tax liens	605,052	(60,505)	544,547
Other	<u>2,203</u>	<u>(221)</u>	<u>1,982</u>
Total property taxes	<u>\$ 1,661,741</u>	<u>\$ (166,175)</u>	<u>\$ 1,495,566</u>

6. User Fee Receivables

Each year, the Town issues quarterly water/sewer bills. Bills include a base rate and consumption charge based on usage. Seasonal water bills are issued once a year.

Receivables for user charges 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>
Water	\$ 354,988	\$ (28,399)	\$ 326,589
Sewer	<u>347,102</u>	<u>(26,212)</u>	<u>320,890</u>
Total	<u>\$ 702,090</u>	<u>\$ (54,611)</u>	<u>\$ 647,479</u>

7. Intergovernmental Receivables

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

8. Interfund Transfers

The Town reports interfund transfers between various funds. The following is an analysis of interfund transfers made in 2017:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 560,637	\$ 400,141
Capital Project Fund	-	268,000
Nonmajor Governmental Funds:		
Library	193,802	-
EMS	-	239,620
Other special revenue funds	2,721	53,017
Enterprise Funds:		
Water	187,890	-
Sewer	15,728	-
Total	<u>\$ 960,778</u>	<u>\$ 960,778</u>

The transfer from the capital project fund to the general fund represents the Town's authorization to move excess bond proceeds from the Great Dam project to help offset the current year debt service payment. The \$193,802 transfer to the library from the general fund represents the Town's annual appropriation. The \$239,620 represents the annual transfer of 95% of the previous year's EMS balance to the general fund. The \$187,890 transfer from the general fund to the water fund represents the annual debt service payment for the water tank distribution system. Other transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use restricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

9. Capital Assets

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,998,150	\$ -	\$ -	\$ 3,998,150
Machinery, equipment, and furnishings	7,570,696	432,379	(249,595)	7,753,480
Infrastructure	8,380,891	1,326,706	-	9,707,597
Total capital assets, being depreciated	19,949,737	1,759,085	(249,595)	21,459,227
Less accumulated depreciation for:				
Buildings and improvements	(3,514,978)	(43,684)	-	(3,558,662)
Machinery, equipment, and furnishings	(4,460,752)	(505,867)	230,521	(4,736,098)
Infrastructure	(4,830,612)	(100,871)	-	(4,931,483)
Total accumulated depreciation	(12,806,342)	(650,422)	230,521	(13,226,243)
Total capital assets, being depreciated, net	7,143,395	1,108,663	(19,074)	8,232,984
Capital assets, not being depreciated:				
Land	9,937,595	1,807,757	-	11,745,352
Works of art	646,500	-	-	646,500
Construction in progress	2,835,402	1,037,205	(2,657,806)	1,214,801
Total capital assets, not being depreciated	13,419,497	2,844,962	(2,657,806)	13,606,653
Governmental activities capital assets, net	\$ <u>20,562,892</u>	\$ <u>3,953,625</u>	\$ <u>(2,676,880)</u>	\$ <u>21,839,637</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 177,530	\$ -	\$ -	\$ 177,530
Machinery, equipment, and furnishings	2,183,348	410,525	(50,000)	2,543,873
Infrastructure	41,214,288	4,074,031	-	45,288,319
Total capital assets, being depreciated	43,575,166	4,484,556	(50,000)	48,009,722
Less accumulated depreciation for:				
Buildings and improvements	(159,963)	(3,811)	-	(163,774)
Machinery, equipment, and furnishings	(955,598)	(225,194)	50,000	(1,130,792)
Infrastructure	(23,164,576)	(562,732)	-	(23,727,308)
Total accumulated depreciation	(24,280,137)	(791,737)	50,000	(25,021,874)
Total capital assets, being depreciated, net	19,295,029	3,692,819	-	22,987,848
Capital assets, not being depreciated:				
Land	196,590	-	-	196,590
Construction in progress	8,178,829	11,410,188	(1,772,852)	17,816,165
Total capital assets, not being depreciated	8,375,419	11,410,188	(1,772,852)	18,012,755
Business-type activities capital assets, net	\$ <u>27,670,448</u>	\$ <u>15,103,007</u>	\$ <u>(1,772,852)</u>	\$ <u>41,000,603</u>

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

Governmental Activities:	
General government	\$ 75,602
Public safety	287,568
Public works	271,404
Culture and recreation	12,085
Conservation	<u>3,763</u>
Total depreciation expense - governmental activities	\$ <u>650,422</u>
Business-Type Activities:	
Water	\$ 413,256
Sewer	<u>378,481</u>
Total depreciation expense - business-type activities	\$ <u>791,737</u>

10. 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 23.

11. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities represent 2017 expenditures paid after December 31, 2017.

12. Retainage Payable

This balance represents amounts set aside as agreed upon between the Town and contractors performing work on the Wastewater Treatment Plant and Great Dam projects to ensure contractors satisfy their obligations. These funds will be released once project requirements are met and work is substantially complete.

13. Due to Other Governments

The school district assessments for the period July 1, 2017 through June 30, 2018 were \$15,614,542 for the Exeter School District and \$16,441,216 for the Exeter Regional Cooperative. The School District assessments are paid in

monthly installments. As of December 31, 2017, \$8,262,532 and \$8,847,314 was paid, respectively, leaving a total balance of \$14,945,912 to be paid through June 30, 2018.

14. Notes Payable

The Town has the following notes outstanding at December 31, 2017:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 12/31/17</u>
State revolving loan	2.00%	9/29/2016	Upon completion	\$ 17,098,064

The following summarizes activity in notes payable during fiscal year 2017:

	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
State revolving loan	\$ -	\$ 17,098,064	\$ -	\$ 17,098,064
Bond anticipation note - Waste Water Treatment Plant	<u>3,300,000</u>	<u>-</u>	<u>(3,300,000)</u>	<u>-</u>
Total	\$ <u>3,300,000</u>	\$ <u>17,098,064</u>	\$ <u>(3,300,000)</u>	\$ <u>17,098,064</u>

15. Capital Lease Obligations

The Town is the lessee of certain equipment under capital leases expiring in various years through 2021. Future minimum lease payments under capital leases consisted of the following as of December 31, 2017:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2018	\$ 470,501
2019	328,440
2020	219,084
2021	<u>168,759</u>
Total minimum lease payments	1,186,784
Less amounts representing interest	<u>(57,255)</u>
Present Value of Minimum Lease Payments	\$ <u><u>1,129,529</u></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 and business-type 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>
Great Dam design	08/15/21	3.55%	\$ 138,600
Norris Brook Culverts	08/16/19	2.00 - 4.00%	110,000
Jady Hill Utilities	08/16/19	2.00 - 4.00%	50,000
Great Dam Removal	08/15/15	5.10%	1,085,000
Linden St. Culvert	08/15/25	2.54%	549,700
Design/Construction of sidewalks	08/15/25	2.54%	442,700
Lincoln Street phase 2	08/15/32	4.10 - 5.10%	1,459,486
Court Street Culvert	08/15/27	5.10%	1,138,551
Total Governmental Activities			<u>\$ 4,974,037</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/17</u>
Sewer Lines	08/15/21	3.55%	\$ 404,250
Epping Road	09/01/28	3.97%	1,260,000
Water Tank State Revolving Loan	08/15/29	1.35%	2,447,810
Water Lines	08/15/21	3.55%	612,150
Wastewater Facilities	08/16/19	2.00 - 4.00%	100,000
Jady Hill Phase II	07/14/32	2.00 - 4.00%	1,925,000
Portsmouth Ave. Sewer Lines	08/15/23	2.54%	486,785
Portsmouth Ave. Water Lines	08/15/23	2.54%	93,216
Sewer Lines	08/15/24	5.10%	120,000
Water Mains	08/15/24	5.10%	850,000
Water Street State Revolving Loan	06/01/18	1.06%	68,276
Water Meter Upgrade State Revolving Loan	08/15/25	0.97%	213,118
Water Treatment Plan State Revolving Loan	06/01/18	0.97%	41,900
Groundwater Treatment Facility	01/01/36	1.96%	4,903,984
Lincoln Street phase 2	08/15/32	4.10 - 5.10%	943,264
Court Street Culvert	08/15/27	5.10%	38,349
Total Business-Type Activities			<u>\$ 14,508,102</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	\$ 614,586	\$ 237,642	\$ 852,228
2019	608,078	197,409	805,487
2020	528,078	170,258	698,336
2021	527,478	145,306	672,784
2022	493,278	121,623	614,901
2023 - 2027	1,611,602	309,131	1,920,733
2028 - 2032	<u>590,937</u>	<u>60,742</u>	<u>651,679</u>
Total	\$ <u>4,974,037</u>	\$ <u>1,242,111</u>	\$ <u>6,216,148</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,473,185	\$ 478,036	\$ 1,951,221
2019	1,374,064	422,710	1,796,774
2020	1,217,525	378,100	1,595,625
2021	1,219,272	333,200	1,552,472
2022	979,933	288,375	1,268,308
2023 - 2027	4,402,355	926,295	5,328,650
2028 - 2032	2,654,006	323,371	2,977,377
2033 - 2036	<u>1,187,762</u>	<u>58,765</u>	<u>1,246,527</u>
Total	\$ <u>14,508,102</u>	\$ <u>3,208,852</u>	\$ <u>17,716,954</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
Governmental Activities						
Bonds payable	\$ 2,785,800	\$ 2,598,037	\$ (409,800)	\$ 4,974,037	\$ (614,586)	\$ 4,359,451
Unamortized premium	-	439,963	(35,913)	404,050	(35,913)	368,137
Subtotal bonds payable	2,785,800	3,038,000	(445,713)	5,378,087	(650,499)	4,727,588
Net OPEB obligation	1,085,271	156,197	(84,460)	1,157,008	-	1,157,008
Net pension liability	19,043,564	-	(1,858,416)	17,185,148	-	17,185,148
Other:						
Capital leases	1,129,464	276,587	(410,976)	995,075	(346,552)	648,523
Compensated absences	526,764	1,998	(709)	528,053	(26,403)	501,650
Subtotal - other	1,656,228	278,585	(411,685)	1,523,128	(372,955)	1,150,173
Totals	\$ 24,570,863	\$ 3,472,782	\$ (2,800,274)	\$ 25,243,371	\$ (1,023,454)	\$ 24,219,917
Business-Type Activities						
Bonds payable	\$ 14,849,777	\$ 981,613	\$ (1,323,288)	\$ 14,508,102	\$ (1,473,185)	\$ 13,034,917
Net OPEB obligation	181,050	26,058	(14,090)	193,018	-	193,018
Net pension liability	1,883,430	-	(183,800)	1,699,630	-	1,699,630
Other:						
Capital leases	237,488	-	(103,034)	134,454	(103,758)	30,696
Compensated absences	22,803	160	(1,119)	21,844	(1,093)	20,751
Subtotal - other	260,291	160	(104,153)	156,298	(104,851)	51,447
Totals	\$ 17,174,548	\$ 1,007,831	\$ (1,625,331)	\$ 16,557,048	\$ (1,578,036)	\$ 14,979,012

17. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities.

Deferred inflows of resources related to pensions will be recognized in pension expense in future years and are more fully described in Note 23.

The following is a summary of deferred inflows of resources balances as of December 31, 2017:

	Entity-wide Basis		Fund Basis	
	Governmental Activities	Governmental Funds General Fund	Nonmajor	
Unavailable revenues	\$ -	\$ 1,224,533	\$ 236,565	
Taxes collected in advance	912,853	912,853	-	
	\$ 912,853	\$ 2,137,386	\$ 236,565	

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.

Taxes collected in advance are reported in the governmental funds balance sheet in connection with subsequent year property tax revenue collections which are not available for use in the current year.

18. Restricted Net Position

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

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

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 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 inactive capital project deficits 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 capital projects, 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 capital reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements.

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.

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:

	General Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Reserve for capital project deficits	\$ 369,681	\$ -	\$ -	\$ 369,681
Nonexpendable permanent funds	-	-	53,454	53,454
Total Nonspendable	369,681	-	53,454	423,135
Restricted				
Great Dam removal	-	205,000	-	205,000
Debt service ¹	-	148,960	-	148,960
Other bonded projects	-	2,344,135	-	2,344,135
Special revenue funds:				
Cable TV	-	-	292,439	292,439
Recreation	-	-	337,913	337,913
Energy	-	-	254,813	254,813
Library	-	-	209,061	209,061
EMS	-	-	251,706	251,706
Other special revenue funds	-	-	708,515	708,515
Expendable permanent funds:				
Swasey parkway	-	-	395,598	395,598
Other	-	-	5,743	5,743
Total Restricted	-	2,698,095	2,455,788	5,153,883
Committed				
Capital reserve funds	101,783	-	-	101,783
Total Committed	101,783	-	-	101,783
Assigned				
Encumbrances	230,185	-	-	230,185
Total Assigned	230,185	-	-	230,185
Unassigned	2,833,132	(1,163,194)	(212,913)	1,457,025
Total Unassigned	2,833,132	(1,163,194)	(212,913)	1,457,025
Total Fund Balance	\$ 3,534,781	\$ 1,534,901	\$ 2,296,329	\$ 7,366,011

¹ This amount represents excess proceeds to be used towards the Great Dam debt service payment.

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 unassigned fund balance is reported in accordance with the budgetary basis for reporting for the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire

considers revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.

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

GAAP basis balance	\$ 2,833,132
Unavailable revenue	1,224,533
Accrued payroll	<u>217,024</u>
Tax Rate Setting Balance	<u>\$ 4,274,689</u>

21. **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.

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

22. **Net OPEB Obligation**

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 in Note 23, 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, 2017, the actuarial valuation date, approximately 48 retirees and 129 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 are responsible for contributing the full portion of the cost of the health plan, as determined by the Town.

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 ending 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, 2017.

Annual Required Contribution (ARC)	\$	198,663
Interest on net OPEB obligation		50,653
Adjustment to ARC		<u>(67,061)</u>
Annual OPEB cost		182,255
Contributions made		<u>98,550</u>
Increase in net OPEB obligation		83,705
Net OPEB obligation - beginning of year		<u>1,266,321</u>
Net OPEB obligation - end of year	\$	<u><u>1,350,026</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$182,255	54%	\$1,350,026
2016	\$190,927	47%	\$1,266,321
2015	\$183,567	32%	\$1,165,286

E. Funded Status and Funding Progress

The funded status of the plan as of January 1, 2017, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 2,114,595
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 2,114,595</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.0%</u>
Covered payroll (active plan members)	<u>\$ 6,284,291</u>
UAAL as a percentage of covered payroll	<u>33.6%</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 funding progress, presented as required supplementary information following the Notes to 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, 2017 actuarial valuation, the entry age 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% investment rate of return and an initial annual healthcare cost trend rate of 9%, 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 2.50%.

23. Retirement System

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

A. Plan Description

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

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

B. Benefits Provided

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of

either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

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

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

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, for which the contribution rates are 7% for employees and teachers, 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.86% to 27.79% of covered compensation. The Town's contributions to NHRS for the year ended December 31, 2017 was \$1,456,964, 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 \$18,884,778 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 0.38399360%.

For the year ended June 30, 2017, the Town recognized pension expense of \$1,940,515. 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	\$ 42,820	\$ 240,349
Changes of assumptions	1,896,281	-
Net difference between projected and actual earnings on pension plan investments	-	240,507
Changes in proportion and differences between contributions and proportionate share of contributions	-	198,954
Contributions subsequent to the measurement date	<u>786,333</u>	<u>-</u>
Total	<u>\$ 2,725,434</u>	<u>\$ 679,810</u>

The \$786,333 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:	Deferred Outflows (Inflows)
2018	\$ 284,906
2019	757,566
2020	602,022
2021	<u>(385,203)</u>
Total	<u>\$ 1,259,291</u>

F. Actuarial Assumptions

The total pension liability was determined using the actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5% per year
Salary increases	5.6% average, including inflation
Investment rate of return	7.25%, 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, which was for the period July 1, 2010 – June 30, 2015.

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 Long-Term Expected Real Rate of Return
Large Cap Equities	22.50 %	4.25%
Small/Mid Cap Equities	7.50	4.50%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.50%
Emerging Int'l Equities	7.00	6.25%
Total international equities	20.00	
Core Bonds	5.00	0.75%
Short Duration	2.00	-0.25%
Global Multi-Sector Fixed Income	11.00	2.11%
Absolute Return Fixed Income	7.00	1.26%
Total fixed income	25.00	
Private equity	5.00	6.25%
Private debt	5.00	4.75%
Opportunistic	5.00	2.84%
Total alternative investments	15.00	
Real Estate	10.00	3.25%
Total	100.00 %	

G. Discount Rate

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

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

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

<u>Fiscal Year Ended</u>	<u>Decrease (6.25%)</u>	<u>Discount Rate (7.25%)</u>	<u>Increase (8.25%)</u>
December 31, 2017	\$ 24,879,747	\$ 18,884,778	\$ 13,972,138

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.

24. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

25. Subsequent Events

Subsequent to December 31, 2017, the Town has incurred the following additional debt:

	<u>Amount</u>	<u>Interest Rate</u>	<u>Issue Date</u>	<u>Maturity Date</u>
2018 General Obligation Bond	\$ 5,034,050	5.10%	06/13/18	08/15/28
E-One Custom Pumper Fire Apparatus	\$ 489,916	3.75%	07/09/18	07/09/24

26. 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 31, 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 EXETER, NEW HAMPSHIRE
SCHEDULE OF OPEB FUNDING PROGRESS (GASB 45)
REQUIRED SUPPLEMENTARY INFORMATION
December 31, 2017
(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
1/1/2017	\$ -	\$ 2,114,595	\$ 2,114,595	0.0%	\$ 6,284,291	33.6%
1/1/2014	\$ -	\$ 1,755,140	\$ 1,755,140	0.0%	\$ 6,109,841	28.7%
1/1/2011	\$ -	\$ 1,870,706	\$ 1,870,706	0.0%	\$ 5,671,333	33.0%

See Independent Auditors' Report.

TOWN OF EXETER, NEW HAMPSHIRE
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)
REQUIRED SUPPLEMENTARY INFORMATION
DECEMBER 31, 2017
(Unaudited)

New Hampshire Retirement System						
Fiscal Year	Measurement Date	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Percentage Share of the Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Total Pension Liability
December 31, 2017	June 30, 2017	0.38399360%	\$ 18,884,778	\$ 8,359,889	225.897%	62.66%
December 31, 2016	June 30, 2016	0.39354241%	\$ 20,926,994	\$ 8,155,765	256.591%	58.30%
December 31, 2015	June 30, 2015	0.38240135%	\$ 15,148,933	\$ 7,948,396	190.591%	65.47%

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

See Independent Auditors' Report.

TOWN OF EXETER, NEW HAMPSHIRE

SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

REQUIRED SUPPLEMENTARY INFORMATION

DECEMBER 31, 2017

(Unaudited)

New Hampshire Retirement System					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2017	\$ 1,456,964	\$ 1,456,964	\$ -	\$ 8,359,889	17.43%
December 31, 2016	\$ 1,408,838	\$ 1,408,838	\$ -	\$ 8,155,765	17.27%
December 31, 2015	\$ 1,486,987	\$ 1,486,987	\$ -	\$ 7,948,396	18.71%

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

See Independent Auditors' Report.