

**TOWN OF EXETER, NEW HAMPSHIRE**

**Annual Financial Statements**

**For the Year Ended December 31, 2018**

**TOWN OF EXETER, NEW HAMPSHIRE**

**TABLE OF CONTENTS**

|  | <u>PAGE</u> |
|--|-------------|
| <b>INDEPENDENT AUDITORS' REPORT</b>  | 1           |
| <b>BASIC FINANCIAL STATEMENTS:</b>   |             |
| <b>Government-wide Financial Statements:</b>   |             |
| Statement of Net Position  | 12          |
| Statement of Activities  | 13          |
| <b>Fund Financial Statements:</b>  |             |
| <b>Governmental Funds:</b>   |             |
| Balance Sheet  | 14          |
| Reconciliation of Total Governmental Fund Balances to Net Position<br>of Governmental Activities in the Statement of Net Position                  | 15          |
| Statement of Revenues, Expenditures, and Changes<br>in Fund Balances   | 16          |
| Reconciliation of the Statement of Revenues, Expenditures,<br>and Changes in Fund Balances of Governmental Funds to<br>the Statement of Activities | 17          |
| Statement of Revenues and Other Financing Sources, and<br>Expenditures and Other Financing Uses - Budget and Actual –<br>General Fund              | 18          |
| <b>Proprietary Funds:</b>  |             |
| Statement of Net Position  | 19          |
| Statement of Revenues, Expenses, and Changes in Fund<br>Net Position   | 20          |
| Statement of Cash Flows  | 21          |
| <b>Fiduciary Funds:</b>  |             |
| Statement of Fiduciary Net Position  | 22          |
| Statement of Changes in Fiduciary Net Position   | 23          |
| <b>Notes to Financial Statements</b>   | 24          |

## **REQUIRED SUPPLEMENTARY INFORMATION**

### **Pension:**

|  |    |
|--|----|
| Schedule of Proportionate Share of the Net Pension Liability (GASB 68) | 58 |
| Schedule of Pension Contributions (GASB 68)                            | 59 |

### **OPEB:**

|  |    |
|--|----|
| Schedule of Proportionate Share of Net OPEB Liability (GASB 75)              | 60 |
| Schedules of Changes in the Total OPEB Liability and Contributions (GASB 75) | 61 |

## INDEPENDENT AUDITORS' REPORT

To the Select Board  
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, 2018, 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, 2018, 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 August 20, 2019 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 solely 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 the effectiveness of the Town's 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*

August 20, 2019

## **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, 2018.

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

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

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

The Statement of Net Position presents information on all assets, liabilities, and deferred outflows/inflows 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 information which is required to be disclosed by accounting principles generally accepted in the United States of America.

**B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total of assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$20,765,079 (i.e., net position), a change of \$3,980,091 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$10,452,063, a change of \$3,086,052 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,622,831, a change of \$789,699.

**C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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

|                                   | <b>NET POSITION</b>        |               |                             |               |               |               |
|-----------------------------------|----------------------------|---------------|-----------------------------|---------------|---------------|---------------|
|                                   | Governmental<br>Activities |               | Business-Type<br>Activities |               | Total         |               |
|                                   | 2018                       | 2017          | 2018                        | 2017          | 2018          | 2017          |
| Current and other assets          | \$ 28,671,183              | \$ 25,511,794 | \$ 9,825,253                | \$ 9,125,858  | \$ 38,496,436 | \$ 34,637,652 |
| Capital assets                    | 25,452,212                 | 21,839,637    | 62,574,263                  | 41,001,204    | 88,026,475    | 62,840,841    |
| Total assets                      | 54,123,395                 | 47,351,431    | 72,399,516                  | 50,127,062    | 126,522,911   | 97,478,493    |
| Deferred outflows of resources    | 2,169,792                  | 2,480,145     | 232,157                     | 245,289       | 2,401,949     | 2,725,434     |
| Other liabilities                 | 16,940,649                 | 15,976,897    | 42,816,293                  | 21,876,292    | 59,756,942    | 37,853,189    |
| Long term liabilities             | 31,042,084                 | 25,243,371    | 15,873,951                  | 16,557,048    | 46,916,035    | 41,800,419    |
| Total liabilities                 | 47,982,733                 | 41,220,268    | 58,690,244                  | 38,433,340    | 106,672,977   | 79,653,608    |
| Deferred inflows of resources     | 1,350,781                  | 1,531,480     | 136,023                     | 61,183        | 1,486,804     | 1,592,663     |
| Net position:                     |                            |               |                             |               |               |               |
| Net investments in capital assets | 19,133,802                 | 18,421,551    | 11,790,436                  | 11,100,172    | 30,924,238    | 29,521,723    |
| Restricted                        | 2,653,288                  | 2,296,329     | -                           | -             | 2,653,288     | 2,296,329     |
| Unrestricted                      | (14,827,417)               | (13,638,052)  | 2,014,970                   | 777,656       | (12,812,447)  | (12,860,396)  |
| Total net position                | \$ 6,959,673               | \$ 7,079,828  | \$ 13,805,406               | \$ 11,877,828 | \$ 20,765,079 | \$ 18,957,656 |

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 \$20,765,079, a change of \$3,980,091 from the prior year.

The largest portion of net position, \$30,924,238, 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, \$2,653,288, 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 \$(12,812,447) which primarily results from the Town's unfunded net pension and net OPEB liabilities.

**CHANGE IN NET POSITION**

|  | Governmental      |                   | Business-Type    |                  | <u>Total</u>      |                   |
|--|-------------------|-------------------|------------------|------------------|-------------------|-------------------|
|  | <u>2018</u>       | <u>2017</u>       | <u>2018</u>      | <u>2017</u>      | <u>2018</u>       | <u>2017</u>       |
| Revenues:  |                   |                   |                  |                  |                   |                   |
| Program revenues:  |                   |                   |                  |                  |                   |                   |
| Charges for services   | \$ 3,130,732      | \$ 3,163,131      | \$ 7,375,527     | \$ 6,356,442     | \$ 10,506,259     | \$ 9,519,573      |
| Operating grants and contributions                           | 320,882           | 1,462,028         | -                | -                | 320,882           | 1,462,028         |
| Capital grants and contributions                             | 479,310           | 36,740            | 25,521           | 20,701           | 504,831           | 57,441            |
| General revenues:  |                   |                   |                  |                  |                   |                   |
| Property taxes   | 12,943,002        | 12,373,621        | -                | -                | 12,943,002        | 12,373,621        |
| Motor vehicle registrations                                  | 3,025,683         | 2,881,139         | -                | -                | 3,025,683         | 2,881,139         |
| Penalties, interest and other taxes                          | 530,304           | 279,742           | -                | -                | 530,304           | 279,742           |
| Grants and contributions not restricted to specific programs | 1,100,713         | 1,070,110         | -                | -                | 1,100,713         | 1,070,110         |
| Investment income  | 9,171             | 59,145            | 2,439            | -                | 11,610            | 59,145            |
| Miscellaneous  | 172,355           | 243,201           | -                | -                | 172,355           | 243,201           |
| Total revenues   | <u>21,712,152</u> | <u>21,568,857</u> | <u>7,403,487</u> | <u>6,377,143</u> | <u>29,115,639</u> | <u>27,946,000</u> |

(continued)

(continued)

|  | Governmental        |                     | Business-Type        |                      | Total                |                      |
|--|---------------------|---------------------|----------------------|----------------------|----------------------|----------------------|
|  | 2018                | 2017                | 2018                 | 2017                 | 2018                 | 2017                 |
| Expenses:                                      |                     |                     |                      |                      |                      |                      |
| General government                             | 3,240,914           | 4,016,802           | -                    | -                    | 3,240,914            | 4,016,802            |
| Public safety                                  | 8,332,649           | 8,323,228           | -                    | -                    | 8,332,649            | 8,323,228            |
| Public works                                   | 3,828,070           | 4,133,398           | -                    | -                    | 3,828,070            | 4,133,398            |
| Health and human services                      | 129,119             | 160,945             | -                    | -                    | 129,119              | 160,945              |
| Welfare  | 187,419             | 167,620             | -                    | -                    | 187,419              | 167,620              |
| Culture and recreation                         | 2,419,811           | 2,223,611           | -                    | -                    | 2,419,811            | 2,223,611            |
| Sanitation                                     | 1,199,037           | 922,084             | -                    | -                    | 1,199,037            | 922,084              |
| Conservation                                   | 181,715             | 150,973             | -                    | -                    | 181,715              | 150,973              |
| Interest on long-term debt                     | 325,521             | 506,596             | -                    | -                    | 325,521              | 506,596              |
| Water services                                 | -                   | -                   | 2,835,995            | 2,916,742            | 2,835,995            | 2,916,742            |
| Sewer services                                 | -                   | -                   | 2,455,298            | 2,296,544            | 2,455,298            | 2,296,544            |
| Total expenses                                 | <u>19,844,255</u>   | <u>20,605,257</u>   | <u>5,291,293</u>     | <u>5,213,286</u>     | <u>25,135,548</u>    | <u>25,818,543</u>    |
| Change in net position before transfers        | 1,867,897           | 963,600             | 2,112,194            | 1,163,857            | 3,980,091            | 2,127,457            |
| Transfers in (out)                             | <u>(192,690)</u>    | <u>(203,618)</u>    | <u>192,690</u>       | <u>203,618</u>       | <u>-</u>             | <u>-</u>             |
| Change in net position                         | 1,675,207           | 759,982             | 2,304,884            | 1,367,475            | 3,980,091            | 2,127,457            |
| Net position - beginning of year, as restated* | <u>5,284,466</u>    | <u>6,319,846</u>    | <u>11,500,522</u>    | <u>10,510,353</u>    | <u>16,784,988</u>    | <u>16,830,199</u>    |
| Net position - end of year                     | <u>\$ 6,959,673</u> | <u>\$ 7,079,828</u> | <u>\$ 13,805,406</u> | <u>\$ 11,877,828</u> | <u>\$ 20,765,079</u> | <u>\$ 18,957,656</u> |

\* Fiscal year 2017 amounts were not restated as the Town applied GASB 75 prospectively.

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$1,675,207. Key elements of this change are as follows:

|   |                     |
|---|---------------------|
| Decrease in net pension liability, net of deferred outflows/inflows | \$ 48,786           |
| Increase in net OPEB liability, net of deferred outflows/inflows    | (324,700)           |
| Transfer from capital project fund for debt service                 | 268,000             |
| Capital assets acquired with current year revenues                  | 1,033,500           |
| Epping Road TIF revenues exceeding expenses                         | 530,107             |
| Depreciation expense in excess of principal debt service            | (154,135)           |
| Other   | <u>273,649</u>      |
| Total   | <u>\$ 1,675,207</u> |

**Business-type activities.** Business-type activities for the year resulted in a change in net position of \$2,304,884. Key elements of this change are as follows:

|                |                     |
|----------------|---------------------|
| Water services | \$ 1,297,225        |
| Sewer services | <u>1,007,659</u>    |
| Total          | <u>\$ 2,304,884</u> |

The primary factor for the positive change in net position was the result of a water/sewer rate study, which was effective for January 1, 2018, the Town implemented increased water/sewer rates to ensure rates are at a level to cover current and future operating and capital expenses.

**D. FINANCIAL ANALYSIS 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 \$10,452,063, a change of \$3,086,052 in comparison to the prior year. Key elements of this change are as follows:

|   |                     |
|---|---------------------|
| General fund operations, net of lease activity  | \$ 628,530          |
| Capital project fund excess revenues, bond proceeds, and transfers in over expenses and transfers out | 1,919,509           |
| Nonmajor fund activities  | 447,674             |
| Other   | <u>90,339</u>       |
| Total   | <u>\$ 3,086,052</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 \$3,622,831, while total fund balance was \$4,344,365. 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>12/31/18</u> | <u>12/31/17</u> | <u>Change</u> | <u>% of Total General Fund Appropriations</u> |
|-------------------------|-----------------|-----------------|---------------|---|
| Unassigned fund balance | \$ 3,622,831    | \$ 2,833,132    | \$ 789,699    | 5.38%   |
| Total fund balance      | \$ 4,344,365    | \$ 3,534,781    | \$ 809,584    | 6.45%   |

The Town’s fund balance policy requires a minimum level of unassigned fund balance in the general fund between 5-17% of total appropriations.

The total fund balance of the general fund changed by \$809,584 during the current fiscal year. Key factors in this change are as follows:

|   |                   |
|---|-------------------|
| Use of fund balance as a funding source | \$ (757,500)      |
| Revenues greater than budget            | 603,194           |
| Expenditures less than budget           | 505,381           |
| Tax collections as compared to budget   | 261,645           |
| Change in capital reserves              | 174,713           |
| Other                                   | <u>22,151</u>     |
| Total                                   | <u>\$ 809,584</u> |

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

|                  | <u>12/31/18</u> | <u>12/31/17</u> | <u>Change</u> |
|------------------|-----------------|-----------------|---------------|
| Capital reserves | \$ 276,496      | \$ 101,783      | \$ 174,713    |

A detailed breakdown of capital reserves can be found in Note 18.

**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 \$2,014,970, a change of \$1,237,314 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 \$88,026,475 (net of accumulated depreciation), a change of \$25,185,634 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
- Construction costs for Epping Road Tax Increment Financing Project
- Police cruisers, pickup trucks, fire truck and backhoe loader

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 2018.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$23,341,577, 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, 2018

|  | Governmental<br>Activities | Business-Type<br>Activities | Total                |
|--|----------------------------|-----------------------------|----------------------|
| <b>Assets</b>  |                            |                             |                      |
| Current:   |                            |                             |                      |
| Cash and short-term investments                                | \$ 26,148,159              | \$ 6,688,621                | \$ 32,836,780        |
| Investments  | 428,566                    | -                           | 428,566              |
| Receivables, net of allowance for uncollectibles:              |                            |                             |                      |
| Property taxes   | 1,021,713                  | -                           | 1,021,713            |
| User fees  | -                          | 747,429                     | 747,429              |
| Departmental   | 425,738                    | -                           | 425,738              |
| Intergovernmental  | 40,958                     | 2,077,571                   | 2,118,529            |
| Other assets   | -                          | 311,632                     | 311,632              |
| Noncurrent:  |                            |                             |                      |
| Receivables, net of allowance for uncollectibles:              |                            |                             |                      |
| Property taxes   | 606,049                    | -                           | 606,049              |
| Capital assets:  |                            |                             |                      |
| Land and construction in progress                              | 16,328,854                 | 33,990,827                  | 50,319,681           |
| Capital assets, net<br>of accumulated depreciation             | 9,123,358                  | 28,583,436                  | 37,706,794           |
| <b>Deferred Outflows of Resources</b>                          |                            |                             |                      |
| Related to pensions  | 1,983,507                  | 196,171                     | 2,179,678            |
| Related to OPEB  | 186,285                    | 35,986                      | 222,271              |
| <b>Total Assets and Deferred<br/>Outflows of Resources</b>     | <b>56,293,187</b>          | <b>72,631,673</b>           | <b>128,924,860</b>   |
| <b>Liabilities</b>   |                            |                             |                      |
| Current:   |                            |                             |                      |
| Accounts payable   | 1,003,690                  | 2,163,486                   | 3,167,176            |
| Retainage payable  | 68,064                     | 2,076,042                   | 2,144,106            |
| Accrued liabilities  | 694,798                    | 143,577                     | 838,375              |
| Due to other governments                                       | 15,174,097                 | -                           | 15,174,097           |
| Notes payable  | -                          | 38,433,188                  | 38,433,188           |
| Current portion of long-term liabilities:                      |                            |                             |                      |
| Bonds payable  | 1,181,543                  | 1,430,064                   | 2,611,607            |
| Other liabilities  | 408,859                    | 32,317                      | 441,176              |
| Noncurrent:  |                            |                             |                      |
| Bonds payable, net of current portion                          | 8,589,117                  | 12,140,853                  | 20,729,970           |
| Net pension liability  | 16,068,313                 | 1,589,173                   | 17,657,486           |
| Net OPEB liability   | 3,368,486                  | 650,708                     | 4,019,194            |
| Other liabilities, net of current portion                      | 1,425,766                  | 30,836                      | 1,456,602            |
| <b>Deferred Inflows of Resources</b>                           |                            |                             |                      |
| Related to pensions  | 1,190,038                  | 117,696                     | 1,307,734            |
| Related to OPEB  | 94,869                     | 18,327                      | 113,196              |
| Other  | 65,874                     | -                           | 65,874               |
| <b>Total Liabilities and Deferred<br/>Inflows of Resources</b> | <b>49,333,514</b>          | <b>58,826,267</b>           | <b>108,159,781</b>   |
| <b>Net Position</b>  |                            |                             |                      |
| Net investment in capital assets                               | 19,133,802                 | 11,790,436                  | 30,924,238           |
| Restricted for:  |                            |                             |                      |
| Grants and other statutory restrictions                        | 2,305,250                  | -                           | 2,305,250            |
| Permanent funds:   |                            |                             |                      |
| Nonexpendable  | 53,454                     | -                           | 53,454               |
| Expendable   | 294,584                    | -                           | 294,584              |
| Unrestricted   | (14,827,417)               | 2,014,970                   | (12,812,447)         |
| <b>Total Net Position</b>                                      | <b>\$ 6,959,673</b>        | <b>\$ 13,805,406</b>        | <b>\$ 20,765,079</b> |

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, 2018

|  | <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>   |
| <b>Governmental Activities</b>                               |                 |                             |   |   |   |                                 |                |
| General government   | \$ 3,240,914    | \$ 576,360                  | \$ 183,047                                | \$ -                                    | \$ (2,481,507)  | \$ -                            | \$ (2,481,507) |
| Public safety  | 8,332,649       | 1,211,032                   | 85,760                                    | -                                       | (7,035,857)   | -                               | (7,035,857)    |
| Public works   | 3,828,070       | 606,853                     | -   | 479,310                                 | (2,741,907)   | -                               | (2,741,907)    |
| Health and human services                                    | 129,119         | -                           | 500                                       | -                                       | (128,619)   | -                               | (128,619)      |
| Welfare  | 187,419         | -                           | -   | -                                       | (187,419)   | -                               | (187,419)      |
| Culture and recreation                                       | 2,419,811       | 700,610                     | 51,575                                    | -                                       | (1,667,626)   | -                               | (1,667,626)    |
| Sanitation   | 1,199,037       | 35,877                      | -   | -                                       | (1,163,160)   | -                               | (1,163,160)    |
| Conservation   | 181,715         | -                           | -   | -                                       | (181,715)   | -                               | (181,715)      |
| Interest on long-term debt                                   | 325,521         | -                           | -   | -                                       | (325,521)   | -                               | (325,521)      |
| Total Governmental Activities                                | 19,844,255      | 3,130,732                   | 320,882                                   | 479,310                                 | (15,913,331)  | -                               | (15,913,331)   |
| <b>Business-Type Activities</b>                              |                 |                             |   |   |   |                                 |                |
| Water services   | 2,835,995       | 3,775,642                   | -   | -                                       | -   | 939,647                         | 939,647        |
| Sewer services   | 2,455,298       | 3,599,885                   | -   | 25,521                                  | -   | 1,170,108                       | 1,170,108      |
| Total Business-Type Activities                               | 5,291,293       | 7,375,527                   | -   | 25,521                                  | -   | 2,109,755                       | 2,109,755      |
| Total  | \$ 25,135,548   | \$ 10,506,259               | \$ 320,882                                | \$ 504,831                              | (15,913,331)  | 2,109,755                       | (13,803,576)   |
| <b>General Revenues and Transfers</b>                        |                 |                             |   |   |   |                                 |                |
| Property taxes   |                 |                             |   |   | 12,943,002  | -                               | 12,943,002     |
| Motor vehicle registrations                                  |                 |                             |   |   | 3,025,683   | -                               | 3,025,683      |
| Penalties, interest and other taxes                          |                 |                             |   |   | 530,304   | -                               | 530,304        |
| Grants and contributions not restricted to specific programs |                 |                             |   |   | 1,100,713   | -                               | 1,100,713      |
| Investment income  |                 |                             |   |   | 9,171   | 2,439                           | 11,610         |
| Miscellaneous  |                 |                             |   |   | 172,355   | -                               | 172,355        |
| Transfers, net   |                 |                             |   |   | (192,690)   | 192,690                         | -              |
| Total general revenues and transfers                         |                 |                             |   |   | 17,588,538  | 195,129                         | 17,783,667     |
| Change in Net Position                                       |                 |                             |   |   | 1,675,207   | 2,304,884                       | 3,980,091      |
| <b>Net Position</b>  |                 |                             |   |   |   |                                 |                |
| Beginning of year, as restated                               |                 |                             |   |   | 5,284,466   | 11,500,522                      | 16,784,988     |
| End of year  |                 |                             |   |   | \$ 6,959,673  | \$ 13,805,406                   | \$ 20,765,079  |

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



## TOWN OF EXETER, NEW HAMPSHIRE

## GOVERNMENTAL FUNDS

## BALANCE SHEET

DECEMBER 31, 2018

|   | General<br>Fund      | Capital<br>Project<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|---|----------------------|----------------------------|-----------------------------------|--------------------------------|
| <b>Assets</b>   |                      |                            |                                   |                                |
| Cash and short-term investments   | \$ 19,717,029        | \$ 4,214,882               | \$ 2,216,248                      | \$ 26,148,159                  |
| Investments   | -                    | -                          | 428,566                           | 428,566                        |
| Receivables:  |                      |                            |                                   |                                |
| Property taxes  | 1,808,625            | -                          | -                                 | 1,808,625                      |
| Departmental  | 81,524               | -                          | 344,214                           | 425,738                        |
| Intergovernmental   | -                    | 38,821                     | 2,137                             | 40,958                         |
| <b>Total Assets</b>   | <b>\$ 21,607,178</b> | <b>\$ 4,253,703</b>        | <b>\$ 2,991,165</b>               | <b>\$ 28,852,046</b>           |
| <b>Liabilities</b>  |                      |                            |                                   |                                |
| Accounts payable  | \$ 567,293           | \$ 405,779                 | \$ 30,618                         | \$ 1,003,690                   |
| Retainage payable   | -                    | 68,064                     | -                                 | 68,064                         |
| Accrued liabilities   | 244,092              | 325,450                    | 634                               | 570,176                        |
| Due to other governments  | 15,174,097           | -                          | -                                 | 15,174,097                     |
| Other liabilities   | 65,487               | -                          | -                                 | 65,487                         |
| Total Liabilities   | 16,050,969           | 799,293                    | 31,252                            | 16,881,514                     |
| <b>Deferred Inflows of Resources</b>  |                      |                            |                                   |                                |
| Unavailable revenues  | 1,145,970            | -                          | 306,625                           | 1,452,595                      |
| Taxes collected in advance  | 65,874               | -                          | -                                 | 65,874                         |
| <b>Fund Balances</b>  |                      |                            |                                   |                                |
| Nonspendable  | 425,038              | -                          | 53,454                            | 478,492                        |
| Restricted  | -                    | 3,879,448                  | 2,756,265                         | 6,635,713                      |
| Committed   | 276,496              | -                          | -                                 | 276,496                        |
| Assigned  | 20,000               | -                          | -                                 | 20,000                         |
| Unassigned  | 3,622,831            | (425,038)                  | (156,431)                         | 3,041,362                      |
| Total Fund Balance  | 4,344,365            | 3,454,410                  | 2,653,288                         | 10,452,063                     |
| <b>Total Liabilities, Deferred Inflows of<br/>Resources and Fund Balances</b> | <b>\$ 21,607,178</b> | <b>\$ 4,253,703</b>        | <b>\$ 2,991,165</b>               | <b>\$ 28,852,046</b>           |

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, 2018

|  |  |
|--|--|
| <b>Total governmental fund balances</b>  | \$ 10,452,063  |
| <ul style="list-style-type: none"> <li>• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.</li> </ul>  | 25,452,212   |
| <ul style="list-style-type: none"> <li>• Revenues are reported on the accrual basis of accounting and are not deferred until collection.</li> </ul>  | 1,271,732  |
| <ul style="list-style-type: none"> <li>• Deferred outflows related to pensions are not financial resources and, therefore, are not reported in governmental funds.</li> </ul>  | 1,983,507  |
| <ul style="list-style-type: none"> <li>• Deferred outflows related to OPEB are not financial resources and, therefore, are not reported in governmental funds.</li> </ul>  | 186,285  |
| <ul style="list-style-type: none"> <li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</li> </ul>   | (59,135)   |
| <ul style="list-style-type: none"> <li>• Long-term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds: <ul style="list-style-type: none"> <li>Bonds payable</li> <li>Net pension liability</li> <li>Net OPEB liability</li> <li>Capital leases</li> <li>Compensated absences</li> </ul> </li> </ul> | (9,770,660)<br>(16,068,313)<br>(3,368,486)<br>(1,215,006)<br>(619,619) |
| <ul style="list-style-type: none"> <li>• Deferred inflows related to pensions are not financial resources and, therefore, are not reported in governmental funds.</li> </ul>   | (1,190,038)  |
| <ul style="list-style-type: none"> <li>• Deferred inflows related to OPEB are not financial resources and, therefore, are not reported in governmental funds.</li> </ul>   | <u>(94,869)</u>  |
| <b>Net position of governmental activities</b>   | <b>\$ <u><u>6,959,673</u></u></b>                                      |

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, 2018

|  | General<br>Fund     | Capital<br>Project<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--|---------------------|----------------------------|-----------------------------------|--------------------------------|
| <b>Revenues</b>                                      |                     |                            |                                   |                                |
| Property taxes                                       | \$ 12,484,707       | \$ -                       | \$ 550,266                        | \$ 13,034,973                  |
| Motor vehicle registrations                          | 3,025,683           | -                          | -                                 | 3,025,683                      |
| Penalties, interest, and other taxes                 | 531,584             | -                          | -                                 | 531,584                        |
| Charges for services                                 | 936,506             | -                          | 1,684,899                         | 2,621,405                      |
| Intergovernmental                                    | 1,169,584           | 479,310                    | 212,936                           | 1,861,830                      |
| Licenses and permits                                 | 379,267             | -                          | -                                 | 379,267                        |
| Investment income                                    | 4,863               | -                          | 4,308                             | 9,171                          |
| Contributions  | -                   | -                          | 39,075                            | 39,075                         |
| Miscellaneous  | 120,106             | 26,950                     | -                                 | 147,056                        |
| Total Revenues                                       | <u>18,652,300</u>   | <u>506,260</u>             | <u>2,491,484</u>                  | <u>21,650,044</u>              |
| <b>Expenditures</b>                                  |                     |                            |                                   |                                |
| Current:   |                     |                            |                                   |                                |
| General government                                   | 2,658,033           | -                          | 418,228                           | 3,076,261                      |
| Public safety  | 7,931,421           | -                          | 450,316                           | 8,381,737                      |
| Public works   | 3,507,572           | -                          | 20,917                            | 3,528,489                      |
| Health and human services                            | 128,111             | -                          | -                                 | 128,111                        |
| Welfare  | 183,509             | -                          | -                                 | 183,509                        |
| Culture and recreation                               | 1,359,235           | -                          | 1,081,758                         | 2,440,993                      |
| Sanitation   | 1,199,037           | -                          | -                                 | 1,199,037                      |
| Conservation   | 145,295             | -                          | 33                                | 145,328                        |
| Debt service   | 1,342,733           | -                          | 72,558                            | 1,415,291                      |
| Capital outlay                                       | 248,271             | 3,346,794                  | -                                 | 3,595,065                      |
| Total Expenditures                                   | <u>18,703,217</u>   | <u>3,346,794</u>           | <u>2,043,810</u>                  | <u>24,093,821</u>              |
| Excess (Deficiency) of Revenues<br>Over Expenditures | (50,917)            | (2,840,534)                | 447,674                           | (2,443,777)                    |
| <b>Other Financing Sources (Uses)</b>                |                     |                            |                                   |                                |
| Capital lease proceeds                               | 679,447             | -                          | -                                 | 679,447                        |
| Bond proceeds  | -                   | 4,498,050                  | -                                 | 4,498,050                      |
| Premiums from issuance of bonds                      | -                   | 545,022                    | -                                 | 545,022                        |
| Transfers in   | 667,855             | -                          | 294,111                           | 961,966                        |
| Transfers out  | (486,801)           | (283,029)                  | (384,826)                         | (1,154,656)                    |
| Total Other Financing Sources (Uses)                 | <u>860,501</u>      | <u>4,760,043</u>           | <u>(90,715)</u>                   | <u>5,529,829</u>               |
| Change in Fund Balance                               | 809,584             | 1,919,509                  | 356,959                           | 3,086,052                      |
| Fund Balance at Beginning of Year                    | <u>3,534,781</u>    | <u>1,534,901</u>           | <u>2,296,329</u>                  | <u>7,366,011</u>               |
| Fund Balance at End of Year                          | <u>\$ 4,344,365</u> | <u>\$ 3,454,410</u>        | <u>\$ 2,653,288</u>               | <u>\$ 10,452,063</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, 2018

|   |                            |                |           |              |           |  |          |                     |         |                              |         |                   |             |                            |           |                                 |           |  |          |  |        |   |           |                      |          |                           |        |
|---|----------------------------|----------------|-----------|--------------|-----------|--|----------|---------------------|---------|------------------------------|---------|-------------------|-------------|----------------------------|-----------|---------------------------------|-----------|--|----------|--|--------|---|-----------|----------------------|----------|---------------------------|--------|
| <b>Net changes in fund balances - Total governmental funds</b>  | <b>\$ 3,086,052</b>        |                |           |              |           |  |          |                     |         |                              |         |                   |             |                            |           |                                 |           |  |          |  |        |   |           |                      |          |                           |        |
| <ul style="list-style-type: none"> <li>• Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay</td> <td style="text-align: right;">4,381,296</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(768,721)</td> </tr> </table> </li> <br/> <li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (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;">(23,191)</td> </tr> </table> </li> <br/> <li>• The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table border="0" style="margin-left: 40px;"> <tr> <td>Repayments of bonds</td> <td style="text-align: right;">614,586</td> </tr> <tr> <td>Repayments of capital leases</td> <td style="text-align: right;">459,516</td> </tr> <tr> <td>Issuance of bonds</td> <td style="text-align: right;">(4,498,050)</td> </tr> <tr> <td>Issuance of capital leases</td> <td style="text-align: right;">(679,447)</td> </tr> <tr> <td>Premiums from issuance of bonds</td> <td style="text-align: right;">(545,022)</td> </tr> </table> </li> <br/> <li>• 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;">(20,245)</td> </tr> </table> </li> <br/> <li>• Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds: <table border="0" style="margin-left: 40px;"> <tr> <td>Net pension liability and related deferred outflows and inflows of resources</td> <td style="text-align: right;">48,786</td> </tr> <tr> <td>Net OPEB liability and related deferred outflows and inflows of resources</td> <td style="text-align: right;">(324,700)</td> </tr> <tr> <td>Compensated absences</td> <td style="text-align: right;">(91,566)</td> </tr> <tr> <td>Bond premium amortization</td> <td style="text-align: right;">35,913</td> </tr> </table> </li> </ul> |                            | Capital outlay | 4,381,296 | Depreciation | (768,721) |  | (23,191) | Repayments of bonds | 614,586 | Repayments of capital leases | 459,516 | Issuance of bonds | (4,498,050) | Issuance of capital leases | (679,447) | Premiums from issuance of bonds | (545,022) |  | (20,245) | Net pension liability and related deferred outflows and inflows of resources | 48,786 | Net OPEB liability and related deferred outflows and inflows of resources | (324,700) | Compensated absences | (91,566) | Bond premium amortization | 35,913 |
| Capital outlay  | 4,381,296                  |                |           |              |           |  |          |                     |         |                              |         |                   |             |                            |           |                                 |           |  |          |  |        |   |           |                      |          |                           |        |
| Depreciation  | (768,721)                  |                |           |              |           |  |          |                     |         |                              |         |                   |             |                            |           |                                 |           |  |          |  |        |   |           |                      |          |                           |        |
|   | (23,191)                   |                |           |              |           |  |          |                     |         |                              |         |                   |             |                            |           |                                 |           |  |          |  |        |   |           |                      |          |                           |        |
| Repayments of bonds   | 614,586                    |                |           |              |           |  |          |                     |         |                              |         |                   |             |                            |           |                                 |           |  |          |  |        |   |           |                      |          |                           |        |
| Repayments of capital leases  | 459,516                    |                |           |              |           |  |          |                     |         |                              |         |                   |             |                            |           |                                 |           |  |          |  |        |   |           |                      |          |                           |        |
| Issuance of bonds   | (4,498,050)                |                |           |              |           |  |          |                     |         |                              |         |                   |             |                            |           |                                 |           |  |          |  |        |   |           |                      |          |                           |        |
| Issuance of capital leases  | (679,447)                  |                |           |              |           |  |          |                     |         |                              |         |                   |             |                            |           |                                 |           |  |          |  |        |   |           |                      |          |                           |        |
| Premiums from issuance of bonds   | (545,022)                  |                |           |              |           |  |          |                     |         |                              |         |                   |             |                            |           |                                 |           |  |          |  |        |   |           |                      |          |                           |        |
|   | (20,245)                   |                |           |              |           |  |          |                     |         |                              |         |                   |             |                            |           |                                 |           |  |          |  |        |   |           |                      |          |                           |        |
| Net pension liability and related deferred outflows and inflows of resources  | 48,786                     |                |           |              |           |  |          |                     |         |                              |         |                   |             |                            |           |                                 |           |  |          |  |        |   |           |                      |          |                           |        |
| Net OPEB liability and related deferred outflows and inflows of resources   | (324,700)                  |                |           |              |           |  |          |                     |         |                              |         |                   |             |                            |           |                                 |           |  |          |  |        |   |           |                      |          |                           |        |
| Compensated absences  | (91,566)                   |                |           |              |           |  |          |                     |         |                              |         |                   |             |                            |           |                                 |           |  |          |  |        |   |           |                      |          |                           |        |
| Bond premium amortization   | 35,913                     |                |           |              |           |  |          |                     |         |                              |         |                   |             |                            |           |                                 |           |  |          |  |        |   |           |                      |          |                           |        |
| <b>Change in net position of governmental activities</b>  | <b>\$ <u>1,675,207</u></b> |                |           |              |           |  |          |                     |         |                              |         |                   |             |                            |           |                                 |           |  |          |  |        |   |           |                      |          |                           |        |

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, 2018

|  | Original<br>Budget | Final<br>Budget | Actual<br>Amounts<br>(Budgetary<br>Basis) | Variance with<br>Final Budget<br>Positive<br>(Negative) |
|--|--------------------|-----------------|---|---|
| <b>Revenues</b>  |                    |                 |   |   |
| Property taxes   | \$ 12,180,080      | \$ 12,223,062   | \$ 12,223,062                             | \$ -  |
| Interest, penalties, and other taxes                                     | 249,899            | 249,899         | 531,584                                   | 281,685   |
| Charges for services   | 870,000            | 870,000         | 936,506                                   | 66,506  |
| Intergovernmental  | 1,171,992          | 1,129,010       | 1,169,584                                 | 40,574  |
| Licenses and permits   | 3,288,000          | 3,288,000       | 3,404,950                                 | 116,950   |
| Investment income  | 500                | 500             | 1,373                                     | 873   |
| Miscellaneous  | 23,500             | 23,500          | 120,106                                   | 96,606  |
| Total Revenues   | 17,783,971         | 17,783,971      | 18,387,165                                | 603,194   |
| <b>Expenditures</b>  |                    |                 |   |   |
| Current:   |                    |                 |   |   |
| General government   | 2,612,173          | 2,620,173       | 2,654,614                                 | (34,441)  |
| Public safety  | 7,717,576          | 7,717,576       | 7,434,318                                 | 283,258   |
| Public works   | 3,728,808          | 3,720,808       | 3,329,661                                 | 399,147   |
| Health and human services  | 131,931            | 131,931         | 128,111                                   | 3,820   |
| Welfare  | 144,887            | 144,887         | 183,509                                   | (38,622)  |
| Culture and recreation   | 1,589,842          | 1,589,842       | 1,583,840                                 | 6,002   |
| Sanitation   | 1,093,165          | 1,093,165       | 1,199,037                                 | (105,872)   |
| Conservation   | 148,917            | 148,917         | 145,295                                   | 3,622   |
| Capital outlay   | 289,857            | 289,857         | 248,271                                   | 41,586  |
| Debt service:  |                    |                 |   |   |
| Principal  | 719,586            | 719,586         | 719,586                                   | -   |
| Interest   | 770,718            | 770,718         | 815,837                                   | (45,119)  |
| Total Expenditures   | 18,947,460         | 18,947,460      | 18,442,079                                | 505,381   |
| <b>Other financing sources (uses)</b>                                    |                    |                 |   |   |
| Transfers in   | 602,989            | 602,989         | 617,178                                   | 14,189  |
| Transfers out  | (197,000)          | (197,000)       | (197,000)                                 | -   |
| Use of fund balance:   |                    |                 |   |   |
| For operating budget   | 600,000            | 600,000         | -   | (600,000)   |
| For capital reserve funding  | 157,500            | 157,500         | 150,000                                   | (7,500)   |
| Total Other Financing Sources (Uses)                                     | 1,163,489          | 1,163,489       | 570,178                                   | (593,311)   |
| Excess of Revenues and Other Sources<br>Over Expenditures and Other Uses | \$ -               | \$ -            | \$ 515,264                                | \$ 515,264  |

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

## TOWN OF EXETER, NEW HAMPSHIRE

## PROPRIETARY FUNDS

## STATEMENT OF NET POSITION

DECEMBER 31, 2018

|  | Business-Type Activities<br>Enterprise Funds |                     |                      |
|--|--|---------------------|----------------------|
|  | Water<br>Fund                                | Sewer<br>Fund       | Total                |
| <b>Assets</b>  |  |                     |                      |
| Current:   |  |                     |                      |
| Cash and short-term investments                            | \$ 981,324                                   | \$ 5,707,297        | \$ 6,688,621         |
| User fees, net of allowance for uncollectibles             | 336,920                                      | 410,509             | 747,429              |
| Intergovernmental receivable                               | 119,081                                      | 1,958,490           | 2,077,571            |
| Prepaid items  | <u>311,632</u>                               | <u>-</u>            | <u>311,632</u>       |
| Total current assets                                       | 1,748,957                                    | 8,076,296           | 9,825,253            |
| Noncurrent:  |  |                     |                      |
| Land and construction in progress                          | 1,351,164                                    | 32,639,663          | 33,990,827           |
| Capital assets, net<br>of accumulated depreciation         | <u>15,641,914</u>                            | <u>12,941,522</u>   | <u>28,583,436</u>    |
| Total noncurrent assets                                    | 16,993,078                                   | 45,581,185          | 62,574,263           |
| <b>Deferred Outflows of Resources</b>                      |  |                     |                      |
| Related to pensions  | 108,984                                      | 87,187              | 196,171              |
| Related to OPEB  | <u>20,716</u>                                | <u>15,270</u>       | <u>35,986</u>        |
| <b>Total Assets and Deferred Outflows of Resources</b>     | 18,871,735                                   | 53,759,938          | 72,631,673           |
| <b>Liabilities</b>   |  |                     |                      |
| Current:   |  |                     |                      |
| Accounts payable   | 141,539                                      | 2,021,947           | 2,163,486            |
| Retainage payable  | 40,623                                       | 2,035,419           | 2,076,042            |
| Accrued liabilities  | 98,390                                       | 45,187              | 143,577              |
| Notes payable  | 495,560                                      | 37,937,628          | 38,433,188           |
| Current portion of long-term liabilities:                  |  |                     |                      |
| Bonds payable  | 991,416                                      | 438,648             | 1,430,064            |
| Other liabilities  | <u>16,406</u>                                | <u>15,911</u>       | <u>32,317</u>        |
| Total current liabilities                                  | 1,783,934                                    | 42,494,740          | 44,278,674           |
| Noncurrent:  |  |                     |                      |
| Bonds payable, net of current portion                      | 9,183,827                                    | 2,957,026           | 12,140,853           |
| Net pension liability                                      | 882,874                                      | 706,299             | 1,589,173            |
| Net OPEB liability   | 374,589                                      | 276,119             | 650,708              |
| Other liabilities, net of current portion                  | <u>20,112</u>                                | <u>10,724</u>       | <u>30,836</u>        |
| Total noncurrent liabilities                               | 10,461,402                                   | 3,950,168           | 14,411,570           |
| <b>Deferred Inflows of Resources</b>                       |  |                     |                      |
| Related to pensions  | 65,387                                       | 52,309              | 117,696              |
| Related to OPEB  | <u>10,550</u>                                | <u>7,777</u>        | <u>18,327</u>        |
| <b>Total Liabilities and Deferred Inflows of Resources</b> | 12,321,273                                   | 46,504,994          | 58,826,267           |
| <b>Net Position</b>  |  |                     |                      |
| Net investment of capital assets                           | 6,594,635                                    | 5,195,801           | 11,790,436           |
| Unrestricted   | <u>(44,173)</u>                              | <u>2,059,143</u>    | <u>2,014,970</u>     |
| <b>Total Net Position</b>                                  | <u>\$ 6,550,462</u>                          | <u>\$ 7,254,944</u> | <u>\$ 13,805,406</u> |

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, 2018

|   | Business-Type Activities<br>Enterprise Funds |               |               |
|---|--|---------------|---------------|
|   | Water<br>Fund                                | Sewer<br>Fund | Total         |
| <b>Operating Revenues</b>                         |  |               |               |
| Charges for services                              | \$ 3,673,434                                 | \$ 3,528,674  | \$ 7,202,108  |
| Other   | 102,208                                      | 71,211        | 173,419       |
| Total Operating Revenues                          | 3,775,642                                    | 3,599,885     | 7,375,527     |
| <b>Operating Expenses</b>                         |  |               |               |
| Salaries and benefits                             | 1,139,219                                    | 945,591       | 2,084,810     |
| Other operating expenses                          | 959,750                                      | 714,366       | 1,674,116     |
| Depreciation                                      | 429,145                                      | 618,162       | 1,047,307     |
| Total Operating Expenses                          | 2,528,114                                    | 2,278,119     | 4,806,233     |
| Operating Income                                  | 1,247,528                                    | 1,321,766     | 2,569,294     |
| <b>Nonoperating Revenues (Expenses)</b>           |  |               |               |
| Investment income                                 | -  | 2,439         | 2,439         |
| Interest expense                                  | (307,881)                                    | (177,179)     | (485,060)     |
| Total Nonoperating (Expenses)                     | (307,881)                                    | (174,740)     | (482,621)     |
| Income Before Transfers and Capital Contributions | 939,647                                      | 1,147,026     | 2,086,673     |
| <b>Transfers and Capital Contributions</b>        |  |               |               |
| Capital contributions                             | -  | 25,521        | 25,521        |
| Transfers in                                      | 357,578                                      | 15,728        | 373,306       |
| Transfers out                                     | -  | (180,616)     | (180,616)     |
| Change in Net Position                            | 1,297,225                                    | 1,007,659     | 2,304,884     |
| Net Position at Beginning of Year, as restated    | 5,253,237                                    | 6,247,285     | 11,500,522    |
| Net Position at End of Year                       | \$ 6,550,462                                 | \$ 7,254,944  | \$ 13,805,406 |

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, 2018

|   | Business-Type Activities<br>Enterprise Funds |                     |                     |
|---|--|---------------------|---------------------|
|   | Water<br>Fund                                | Sewer<br>Fund       | Total               |
| <b><u>Cash Flows From Operating Activities</u></b>  |  |                     |                     |
| Receipts from customers and users   | \$ 3,651,414                                 | \$ 3,510,266        | \$ 7,161,680        |
| Payments to vendors and employees   | <u>(1,903,108)</u>                           | <u>(2,174,912)</u>  | <u>(4,078,020)</u>  |
| Net Cash Provided By Operating Activities   | 1,748,306                                    | 1,335,354           | 3,083,660           |
| <b><u>Cash Flows From Noncapital Financing Activities</u></b>                                 |  |                     |                     |
| Transfer in   | 357,578                                      | 15,728              | 373,306             |
| Transfer out  | <u>-</u>                                     | <u>(180,616)</u>    | <u>(180,616)</u>    |
| Net Cash Provided By (Used For) Noncapital Financing Activities                               | 357,578                                      | (164,888)           | 192,690             |
| <b><u>Cash Flows From Capital and Related Financing Activities</u></b>                        |  |                     |                     |
| Proceeds from issuance of bonds   | 536,000                                      | -                   | 536,000             |
| Proceeds from issuance of state revolving loans   | 495,560                                      | 20,839,564          | 21,335,124          |
| Acquisition and construction of capital assets  | (1,335,555)                                  | (21,284,811)        | (22,620,366)        |
| Principal payments on bonds   | (965,346)                                    | (507,839)           | (1,473,185)         |
| Principal payments on leases  | (14,980)                                     | (88,780)            | (103,760)           |
| Interest expense  | (315,885)                                    | (176,689)           | (492,574)           |
| Intergovernmental revenue   | <u>-</u>                                     | <u>(415,880)</u>    | <u>(415,880)</u>    |
| Net Cash (Used For) Capital and Related Financing Activities                                  | <u>(1,600,206)</u>                           | <u>(1,634,435)</u>  | <u>(3,234,641)</u>  |
| <b><u>Cash Flows From Investing Activities</u></b>  |  |                     |                     |
| Investment income   | <u>-</u>                                     | <u>2,439</u>        | <u>2,439</u>        |
| Net Cash Provided By Investing Activities   | <u>-</u>                                     | <u>2,439</u>        | <u>2,439</u>        |
| Net Change in Cash and Short-Term Investments   | 505,678                                      | (461,530)           | 44,148              |
| Cash and Short-Term Investments, Beginning of Year  | <u>475,646</u>                               | <u>6,168,827</u>    | <u>6,644,473</u>    |
| Cash and Short-Term Investments, End of Year  | <u>\$ 981,324</u>                            | <u>\$ 5,707,297</u> | <u>\$ 6,688,621</u> |
| <b><u>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</u></b> |  |                     |                     |
| Operating income  | \$ 1,247,528                                 | \$ 1,321,766        | \$ 2,569,294        |
| Adjustments to reconcile operating income to net cash provided by operating activities:       |  |                     |                     |
| Depreciation  | 429,145                                      | 618,162             | 1,047,307           |
| Changes in assets and liabilities:  |  |                     |                     |
| User fees   | (124,227)                                    | (89,619)            | (213,846)           |
| Deferred outflows related to pensions   | 27,288                                       | 21,830              | 49,118              |
| Deferred outflows related to OPEB   | (20,716)                                     | (15,270)            | (35,986)            |
| Warrants and retainage payable  | 145,797                                      | (540,305)           | (394,508)           |
| Net pension liability   | (61,365)                                     | (49,092)            | (110,457)           |
| Net OPEB liability  | 46,274                                       | 34,110              | 80,384              |
| Other liabilities   | 16,637                                       | 878                 | 17,515              |
| Deferred inflows related to pensions  | 31,396                                       | 25,117              | 56,513              |
| Deferred inflows related to OPEB  | <u>10,550</u>                                | <u>7,777</u>        | <u>18,327</u>       |
| Net Cash Provided By Operating Activities   | <u>\$ 1,748,307</u>                          | <u>\$ 1,335,354</u> | <u>\$ 3,083,661</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, 2018

|                                 | Private<br>Purpose<br>Trust<br>Funds | Agency<br>Funds |
|---------------------------------|--------------------------------------|-----------------|
| <b>Assets</b>                   |                                      |                 |
| Cash and short-term investments | \$ 6,616                             | \$ 2,750,792    |
| Total Assets                    | 6,616                                | 2,750,792       |
| <br><b>Liabilities</b>          |                                      |                 |
| Due to other governments        | -                                    | 1,870,533       |
| Deposits held in custody        | -                                    | 880,259         |
| Total Liabilities               | -                                    | 2,750,792       |
| <br><b>Net Position</b>         |                                      |                 |
| Restricted for other purposes   | 6,616                                | -               |
| Total Net Position              | \$ 6,616                             | \$ -            |

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, 2018

|   | <u>Private<br/>Purpose<br/>Trust Funds</u> |
|---|--|
| <b>Additions</b>                                      |  |
| Interest  | \$ <u>66</u>                               |
| Total additions                                       | <u>66</u>                                  |
| <br><b>Net position restricted for other purposes</b> |  |
| Beginning of year                                     | <u>6,550</u>                               |
| End of year   | \$ <u><u>6,616</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 Select Board. 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 2018, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

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

##### Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the 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 Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The 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, short-term money market investments, and long-term certificates of deposit. Investments are carried at fair value except non-negotiable certificates of deposit which are reported at cost.

*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 Select Board. It is then reviewed by the Budget Recommendations Committee. The Select Board 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 Select Board 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<br/>and Other<br/>Financing Sources</u> | <u>Expenditures<br/>and Other<br/>Financing Uses</u> |
|---|---|--|
| Revenues/Expenditures<br>(GAAP Basis)   | \$ 18,652,300                                       | \$ 18,703,217  |
| Other Financing Sources/Uses<br>(GAAP Basis)                                      | <u>1,347,302</u>                                    | <u>486,801</u>                                       |
| Subtotal (GAAP Basis)   | 19,999,602  | 19,190,018   |
| Remove effect of combining capital<br>reserves and general fund                   | (39,138)  | 135,575  |
| Adjust tax revenue to budgetary basis   | (261,645)   | -  |
| Add end-of-year appropriation<br>carryforwards to expenditures                    | -   | 20,000   |
| Recognize use of fund balance as<br>funding source for capital reserve<br>funding | 150,000   | -  |
| To reverse nonbudgeted capital lease<br>activity                                  | (679,447)   | (679,447)  |
| Other   | <u>(15,029)</u>                                     | <u>(27,067)</u>                                      |
| Budgetary Basis   | <u>\$ 19,154,343</u>                                | <u>\$ 18,639,079</u>                                 |

**D. Deficit Fund Equity**

The following funds had deficits as of December 31, 2018:

|                                     |    |                         |
|-------------------------------------|----|-------------------------|
| <u>Capital Project Fund:</u>        |    |                         |
| 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                       |    | (41,392) (A)            |
| TAP Sidewalk                        |    | <u>(13,965) (A)</u>     |
| Subtotal                            |    | (425,038)               |
| <u>Nonmajor Governmental Funds:</u> |    |                         |
| Transportation Fund                 |    | (153,314) (A)           |
| Liquor enforcement                  |    | (784) (A)               |
| Distracted driving                  |    | (2,162) (A)             |
| State Crimestoppers grant           |    | <u>(171) (A)</u>        |
| Subtotal                            |    | <u>(156,431)</u>        |
| Total                               | \$ | <u><u>(581,469)</u></u> |

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

(B) – At the March 2019 Annual Town Meeting, the Town voted to fund the Great Bridge deficit. The Town is still developing a plan to address the other 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, 2018, \$84,499 of the Town's bank balance of \$36,056,662 was exposed to custodial credit risk as uninsured or uncollateralized. The uncollateralized amount 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:

| <u>Investment Type</u>    | <u>Fair Value</u> | <u>Exempt From Disclosure</u> | <u>Rating as of Year End</u> |                  |                  |                  |
|---------------------------|-------------------|-------------------------------|------------------------------|------------------|------------------|------------------|
|                           |                   |                               | <u>Aaa</u>                   | <u>A1</u>        | <u>A2</u>        | <u>Not Rated</u> |
| Certificates of deposits  | \$ 59,949         | \$ 59,949                     | \$ -                         | \$ -             | \$ -             | \$ -             |
| Corporate bonds           | 15,476            | -                             | -                            | -                | 15,476           | -                |
| Corporate equities        | 143,392           | 143,392                       | -                            | -                | -                | -                |
| Equity mutual funds       | 93,903            | 93,903                        | -                            | -                | -                | -                |
| Fixed income mutual funds | <u>115,846</u>    | <u>-</u>                      | <u>12,378</u>                | <u>23,221</u>    | <u>40,920</u>    | <u>39,327</u>    |
| Total investments         | <u>\$ 428,566</u> | <u>\$ 297,244</u>             | <u>\$ 12,378</u>             | <u>\$ 23,221</u> | <u>\$ 56,396</u> | <u>\$ 39,327</u> |

##### B. Custodial Credit Risk

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

The Town's investments are subject to custodial credit risk exposure because the related securities are uninsured, unregistered and 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>     |
|--|-------------------|
| American Capital Income Builder          | \$ 21,507         |
| Guggenheim Total Return Bond             | 23,221            |
| American Income Fund of America          | 31,503            |
| PIMCO Mortgage Opportunities & Bond Fund | 39,327            |
| Metropolitan West T/R Bond               | 40,920            |
| First Bank                               | <u>59,949</u>     |
| Total                                    | <u>\$ 216,427</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:

| <u>Investment Type</u>    | <u>Fair Value</u> | <u>Investment Maturities (in Years)</u> |                  |                  |                     |
|---------------------------|-------------------|---|------------------|------------------|---------------------|
|                           |                   | <u>&lt; 1</u>                           | <u>1-5</u>       | <u>6-10</u>      | <u>More than 10</u> |
| Certificates of deposits  | \$ 59,949         | \$ 59,949                               | \$ -             | \$ -             | \$ -                |
| Corporate bonds           | 15,476            | -                                       | 15,476           | -                | -                   |
| Fixed income mutual funds | <u>115,846</u>    | <u>-</u>                                | <u>39,327</u>    | <u>64,141</u>    | <u>12,378</u>       |
| Total                     | <u>\$ 191,271</u> | <u>\$ 59,949</u>                        | <u>\$ 54,803</u> | <u>\$ 64,141</u> | <u>\$ 12,378</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, 2018:

| <u>Description</u>               | <u>Fair Value Measurements Using:</u> |  |  |  |
|----------------------------------|---------------------------------------|--|--|--|
|                                  |                                       | Quoted prices<br>in active<br>markets for<br>identical assets<br>(Level 1) | Significant<br>observable<br>inputs<br>(Level 2) | Significant<br>unobservable<br>inputs<br>(Level 3) |
| Investments by fair value level: |                                       |  |  |  |
| Debt securities:                 |                                       |  |  |  |
| Corporate bonds                  | \$ 15,476                             | \$ -   | \$ 15,476  | \$ -   |
| Equity securities:               |                                       |  |  |  |
| Corporate equities               | 143,392                               | 143,392  | -  | -  |
| Equity mutual funds              | 93,903                                | 93,903   | -  | -  |
| Fixed income mutual funds        | <u>115,846</u>                        | <u>-</u>   | <u>115,846</u>                                   | <u>-</u>   |
| Total                            | \$ <u>368,617</u>                     | \$ <u>237,295</u>  | \$ <u>131,322</u>                                | \$ <u>-</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.

Property taxes receivable at December 31, 2018 consist of the following:

|                      | Gross<br>Amount     | Allowance<br>for Doubtful<br>Accounts | Net<br>Amount       |
|----------------------|---------------------|---------------------------------------|---------------------|
| Real estate taxes    | \$ 1,120,237        | \$ (112,024)                          | \$ 1,008,213        |
| Tax liens            | 673,388             | (67,339)                              | 606,049             |
| Other                | <u>15,000</u>       | <u>(1,500)</u>                        | <u>13,500</u>       |
| Total property taxes | \$ <u>1,808,625</u> | \$ <u>(180,863)</u>                   | \$ <u>1,627,762</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, 2018 consist of the following:

|       | <u>Gross<br/>Amount</u> | <u>Allowance<br/>for Doubtful<br/>Accounts</u> | <u>Net<br/>Amount</u> |
|-------|-------------------------|--|-----------------------|
| Water | \$ 366,217              | \$ (29,297)                                    | \$ 336,920            |
| Sewer | <u>444,505</u>          | <u>(33,996)</u>                                | <u>410,509</u>        |
| Total | <u>\$ 810,722</u>       | <u>\$ (63,293)</u>                             | <u>\$ 747,429</u>     |

## 7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in 2018.

## 8. Interfund Transfers

The Town reports interfund transfers between various funds. The following is an analysis of interfund transfers made in 2018:

| <u>Fund</u>                  | <u>Transfers In</u> | <u>Transfers Out</u> |
|------------------------------|---------------------|----------------------|
| General Fund                 | \$ 667,855          | \$ 486,801           |
| Capital Project Fund         | -                   | 283,029              |
| Nonmajor Governmental Funds: |                     |                      |
| Library                      | 233,028             | -                    |
| EMS                          | -                   | 184,989              |
| Other special revenue funds  | 61,083              | 199,837              |
| Enterprise Funds:            |                     |                      |
| Water                        | 357,578             | -                    |
| Sewer                        | <u>15,728</u>       | <u>180,616</u>       |
| Total                        | <u>\$ 1,335,272</u> | <u>\$ 1,335,272</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 \$233,028 transfer to the library from the general fund represents the Town's annual appropriation. The \$184,989 transfer out of the EMS fund represents the annual transfer of 95% of the previous year's EMS balance to the general fund. \$176,962 of the \$358,578 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, 2018 was as follows:

|  | Beginning<br><u>Balance</u> | <u>Increases</u>     | <u>Decreases</u>      | Ending<br><u>Balance</u> |
|--|-----------------------------|----------------------|-----------------------|--------------------------|
| <b>Governmental Activities:</b>              |                             |                      |                       |                          |
| Capital assets, being depreciated:           |                             |                      |                       |                          |
| Buildings and improvements                   | \$ 3,998,150                | \$ -                 | \$ -                  | \$ 3,998,150             |
| Machinery, equipment, and furnishings        | 7,753,480                   | 519,286              | (301,349)             | 7,971,417                |
| Infrastructure                               | <u>9,707,597</u>            | <u>1,139,809</u>     | <u>-</u>              | <u>10,847,406</u>        |
| Total capital assets, being depreciated      | 21,459,227                  | 1,659,095            | (301,349)             | 22,816,973               |
| Less accumulated depreciation for:           |                             |                      |                       |                          |
| Buildings and improvements                   | (3,558,662)                 | (42,526)             | -                     | (3,601,188)              |
| Machinery, equipment, and furnishings        | (4,736,098)                 | (549,554)            | 301,349               | (4,984,303)              |
| Infrastructure                               | <u>(4,931,483)</u>          | <u>(176,641)</u>     | <u>-</u>              | <u>(5,108,124)</u>       |
| Total accumulated depreciation               | <u>(13,226,243)</u>         | <u>(768,721)</u>     | <u>301,349</u>        | <u>(13,693,615)</u>      |
| Total capital assets, being depreciated, net | 8,232,984                   | 890,374              | -                     | 9,123,358                |
| Capital assets, not being depreciated:       |                             |                      |                       |                          |
| Land   | 11,745,352                  | -                    | -                     | 11,745,352               |
| Works of art                                 | 646,500                     | -                    | -                     | 646,500                  |
| Construction in progress                     | <u>1,214,801</u>            | <u>3,666,654</u>     | <u>(944,453)</u>      | <u>3,937,002</u>         |
| Total capital assets, not being depreciated  | <u>13,606,653</u>           | <u>3,666,654</u>     | <u>(944,453)</u>      | <u>16,328,854</u>        |
| Governmental activities capital assets, net  | <u>\$ 21,839,637</u>        | <u>\$ 4,557,028</u>  | <u>\$ (944,453)</u>   | <u>\$ 25,452,212</u>     |
| <br>   |                             |                      |                       |                          |
|  | Beginning<br><u>Balance</u> | <u>Increases</u>     | <u>Decreases</u>      | Ending<br><u>Balance</u> |
| <b>Business-Type Activities:</b>             |                             |                      |                       |                          |
| Capital assets, being depreciated:           |                             |                      |                       |                          |
| Buildings and improvements                   | \$ 177,530                  | \$ -                 | \$ -                  | \$ 177,530               |
| Machinery, equipment, and furnishings        | 2,543,873                   | 110,450              | (29,891)              | 2,624,432                |
| Infrastructure                               | <u>45,288,319</u>           | <u>6,531,844</u>     | <u>-</u>              | <u>51,820,163</u>        |
| Total capital assets, being depreciated      | 48,009,722                  | 6,642,294            | (29,891)              | 54,622,125               |
| Less accumulated depreciation for:           |                             |                      |                       |                          |
| Buildings and improvements                   | (163,773)                   | (3,811)              | -                     | (167,584)                |
| Machinery, equipment, and furnishings        | (1,130,793)                 | (299,914)            | 29,891                | (1,400,816)              |
| Infrastructure                               | <u>(23,726,707)</u>         | <u>(743,582)</u>     | <u>-</u>              | <u>(24,470,289)</u>      |
| Total accumulated depreciation               | <u>(25,021,273)</u>         | <u>(1,047,307)</u>   | <u>29,891</u>         | <u>(26,038,689)</u>      |
| Total capital assets, being depreciated, net | 22,988,449                  | 5,594,987            | -                     | 28,583,436               |
| Capital assets, not being depreciated:       |                             |                      |                       |                          |
| Land   | 196,590                     | -                    | -                     | 196,590                  |
| Construction in progress                     | <u>17,816,165</u>           | <u>22,262,705</u>    | <u>(6,284,633)</u>    | <u>33,794,237</u>        |
| Total capital assets, not being depreciated  | <u>18,012,755</u>           | <u>22,262,705</u>    | <u>(6,284,633)</u>    | <u>33,990,827</u>        |
| Business-type activities capital assets, net | <u>\$ 41,001,204</u>        | <u>\$ 27,857,692</u> | <u>\$ (6,284,633)</u> | <u>\$ 62,574,263</u>     |

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

|   |                     |
|---|---------------------|
| Governmental Activities:                              |                     |
| General government                                    | \$ 82,905           |
| Public safety   | 280,312             |
| Public works  | 384,598             |
| Culture and recreation                                | 17,142              |
| Conservation  | <u>3,764</u>        |
| Total depreciation expense - governmental activities  | <u>\$ 768,721</u>   |
| Business-Type Activities:                             |                     |
| Water   | \$ 429,145          |
| Sewer   | <u>618,162</u>      |
| Total depreciation expense - business-type activities | <u>\$ 1,047,307</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 and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

**11. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities represent 2018 expenditures paid after December 31, 2018.

**12. Retainage Payable**

This balance represents amounts set aside as agreed upon between the Town and contractors performing work on the Epping Road Tax Increment Financing and Wastewater Treatment Plant 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, 2018 through June 30, 2018 were \$16,120,101 for the Exeter School District and \$17,233,644 for the Exeter Regional Cooperative. The School District assessments are paid in monthly installments. As of December 31, 2018, \$8,840,702 and \$9,338,946



was paid, respectively, leaving a total balance of \$15,174,097 to be paid through June 30, 2019.

#### 14. Notes Payable

The Town has the following notes outstanding at December 31, 2018:

|   | <u>Interest Rate</u> | <u>Date of Issue</u> | <u>Date of Maturity</u> | <u>Balance at 12/31/18</u> |
|---|----------------------|----------------------|-------------------------|----------------------------|
| State revolving loan - Wastewater Treatment Plant | 2.00%                | 9/29/2016            | Upon completion         | \$ 37,937,628              |
| State revolving loan - TTHM Surface Water         | 2.27%                | 12/20/2017           | Upon completion         | <u>495,560</u>             |
| Total   |                      |                      |                         | <u>\$ 38,433,188</u>       |

The following summarizes activity in notes payable during fiscal year 2018:

|   | <u>Balance Beginning of Year</u> | <u>New Issues</u>    | <u>Maturities</u> | <u>Balance End of Year</u> |
|---|----------------------------------|----------------------|-------------------|----------------------------|
| State revolving loan - Wastewater Treatment Plant | \$ 17,098,064                    | \$ 20,839,564        | \$ -              | \$ 37,937,628              |
| State revolving loan - TTHM Surface Water         | <u>-</u>                         | <u>495,560</u>       | <u>-</u>          | <u>495,560</u>             |
| Total   | <u>\$ 17,098,064</u>             | <u>\$ 21,335,124</u> | <u>\$ -</u>       | <u>\$ 38,433,188</u>       |

#### 15. Capital Lease Obligations

The Town is the lessee of certain equipment under capital leases expiring in various years through 2024. Future minimum lease payments under capital leases consisted of the following as of December 31, 2018:

| <u>Fiscal Year</u>                      | <u>Capital Leases</u> |
|---|-----------------------|
| 2019                                    | \$ 447,237            |
| 2020                                    | 337,879               |
| 2021                                    | 287,553               |
| 2022                                    | 118,796               |
| 2023                                    | 77,949                |
| Thereafter                              | <u>77,949</u>         |
| Total minimum lease payments            | 1,347,363             |
| Less amounts representing interest      | <u>(101,663)</u>      |
| Present Value of Minimum Lease Payments | <u>\$ 1,245,700</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 12/31/18</u> |
|----------------------------------|----------------------------------|---------------------------|--|
| Great Dam design                 | 08/15/21                         | 3.55%                     | \$ 103,800                               |
| Norris Brook Culverts            | 08/16/19                         | 2.00 - 4.00%              | 55,000                                   |
| Jady Hill Utilities              | 08/16/19                         | 2.00 - 4.00%              | 25,000                                   |
| Great Dam Removal                | 07/15/24                         | 5.10%                     | 930,000                                  |
| Linden St. Culvert               | 08/15/25                         | 2.54%                     | 384,700                                  |
| Design/Construction of sidewalks | 08/15/25                         | 2.54%                     | 479,700                                  |
| Lincoln Street phase 2           | 07/15/32                         | 4.10 - 5.10%              | 1,360,628                                |
| Court Street Culvert             | 08/15/27                         | 5.10%                     | 1,020,623                                |
| String Bridge                    | 08/15/28                         | 2.55%                     | 313,050                                  |
| Epping Road TIF                  | 08/15/28                         | 2.55%                     | 4,185,000                                |
| Total Governmental Activities    |                                  |                           | <u>\$ 8,857,501</u>                      |

| <u>Business-Type Activities:</u>         | <u>Serial Maturities Through</u> | <u>Interest Rate(s) %</u> | <u>Amount Outstanding as of 12/31/18</u> |
|--|----------------------------------|---------------------------|--|
| Sewer Lines                              | 08/15/21                         | 3.55%                     | \$ 302,750                               |
| Epping Road                              | 09/01/28                         | 3.97%                     | 1,155,000                                |
| Water Tank State Revolving Loan          | 08/15/29                         | 1.35%                     | 2,259,114                                |
| Water Lines                              | 08/15/21                         | 3.55%                     | 458,450                                  |
| Wastewater Facilities                    | 08/16/19                         | 2.00 - 4.00%              | 50,000                                   |
| Jady Hill Phase II                       | 07/14/32                         | 2.00 - 4.00%              | 1,795,000                                |
| Portsmouth Ave. Sewer Lines              | 08/15/23                         | 2.54%                     | 402,856                                  |
| Portsmouth Ave. Water Lines              | 08/15/23                         | 2.54%                     | 77,145                                   |
| Sewer Lines                              | 08/15/24                         | 5.10%                     | 100,000                                  |
| Water Mains                              | 08/15/24                         | 5.10%                     | 725,000                                  |
| Water Meter Upgrade State Revolving Loan | 08/15/25                         | 0.97%                     | 107,383                                  |
| Groundwater Treatment Facility           | 01/01/36                         | 1.96%                     | 4,688,470                                |
| Lincoln Street phase 2                   | 08/15/32                         | 4.10 - 5.10%              | 879,372                                  |
| Court Street Culvert                     | 08/15/27                         | 5.10%                     | 34,377                                   |
| Washington Street Water Line             | 08/15/28                         | 2.55%                     | 536,000                                  |
| Total Business-Type Activities           |                                  |                           | <u>\$ 13,570,917</u>                     |

**B. Future Debt Service**

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2018 are as follows:

| <u>Governmental</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>         |
|---------------------|---------------------|---------------------|----------------------|
| 2019                | \$ 1,091,128        | \$ 466,317          | \$ 1,557,445         |
| 2020                | 1,013,078           | 375,023             | 1,388,101            |
| 2021                | 1,012,478           | 325,336             | 1,337,814            |
| 2022                | 973,278             | 276,918             | 1,250,196            |
| 2023                | 968,440             | 231,031             | 1,199,471            |
| 2024 - 2028         | 3,410,349           | 548,049             | 3,958,398            |
| 2029 - 2032         | <u>388,750</u>      | <u>39,847</u>       | <u>428,597</u>       |
| Total               | <u>\$ 8,857,501</u> | <u>\$ 2,262,521</u> | <u>\$ 11,120,022</u> |

| <u>Business-Type</u> | <u>Principal</u>     | <u>Interest</u>     | <u>Total</u>         |
|----------------------|----------------------|---------------------|----------------------|
| 2019                 | \$ 1,430,064         | \$ 451,741          | \$ 1,881,805         |
| 2020                 | 1,272,525            | 398,060             | 1,670,585            |
| 2021                 | 1,274,272            | 348,849             | 1,623,121            |
| 2022                 | 1,034,933            | 301,219             | 1,336,152            |
| 2023                 | 1,046,551            | 260,790             | 1,307,341            |
| 2024 - 2028          | 4,369,527            | 786,817             | 5,156,344            |
| 2029 - 2032          | 2,243,633            | 241,259             | 2,484,892            |
| 2033 - 2036          | <u>899,412</u>       | <u>35,485</u>       | <u>934,897</u>       |
| Total                | <u>\$ 13,570,917</u> | <u>\$ 2,824,220</u> | <u>\$ 16,395,137</u> |

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

During the year ended December 31, 2018, the following changes occurred in long-term liabilities:

|  | Total<br>Balance<br>1/1/18 | Additions    | Reductions     | Total<br>Balance<br>12/31/18 | Less<br>Current<br>Portion | Equals<br>Long-Term<br>Portion<br>12/31/18 |
|--|----------------------------|--------------|----------------|------------------------------|----------------------------|--|
| <b><u>Governmental Activities</u></b>  |                            |              |                |                              |                            |  |
| Bonds payable                          | \$ 4,974,037               | \$ 4,498,050 | \$ (614,586)   | \$ 8,857,501                 | \$ (1,091,128)             | \$ 7,766,373                               |
| Unamortized premium                    | 404,050                    | 545,022      | (35,913)       | 913,159                      | (90,415)                   | 822,744                                    |
| Subtotal bonds payable                 | 5,378,087                  | 5,043,072    | (650,499)      | 9,770,660                    | (1,181,543)                | 8,589,117                                  |
| Net pension liability                  | 17,185,148                 | -            | (1,116,835)    | 16,068,313                   | -                          | 16,068,313                                 |
| Net OPEB liability                     | 2,952,370                  | 416,116      | -              | 3,368,486                    | -                          | 3,368,486                                  |
| Other:                                 |                            |              |                |                              |                            |  |
| Capital leases                         | 995,075                    | 679,447      | (459,516)      | 1,215,006                    | (377,878)                  | 837,128                                    |
| Compensated absences                   | 528,053                    | 112,508      | (20,942)       | 619,619                      | (30,981)                   | 588,638                                    |
| Subtotal - other                       | 1,523,128                  | 791,955      | (480,458)      | 1,834,625                    | (408,859)                  | 1,425,766                                  |
| Totals                                 | \$ 27,038,733              | \$ 6,251,143 | \$ (2,247,792) | \$ 31,042,084                | \$ (1,590,402)             | \$ 29,451,682                              |
| <b><u>Business-Type Activities</u></b> |                            |              |                |                              |                            |  |
| Bonds payable                          | \$ 14,508,102              | \$ 536,000   | \$ (1,473,185) | \$ 13,570,917                | \$ (1,430,064)             | \$ 12,140,853                              |
| Net pension liability                  | 1,699,630                  | -            | (110,457)      | 1,589,173                    | -                          | 1,589,173                                  |
| Net OPEB liability                     | 570,327                    | 80,381       | -              | 650,708                      | -                          | 650,708                                    |
| Other:                                 |                            |              |                |                              |                            |  |
| Capital leases                         | 134,454                    | -            | (103,760)      | 30,694                       | (30,694)                   | -  |
| Compensated absences                   | 21,844                     | 10,615       | -              | 32,459                       | (1,623)                    | 30,836                                     |
| Subtotal - other                       | 156,298                    | 10,615       | (103,760)      | 63,153                       | (32,317)                   | 30,836                                     |
| Totals                                 | \$ 16,934,357              | \$ 626,996   | \$ (1,687,402) | \$ 15,873,951                | \$ (1,462,381)             | \$ 14,411,570                              |

**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 pension and OPEB will be recognized in expense in future years and are more fully described in Notes 20 and 21, respectively.

The following is a summary of other deferred inflows of resources balances as of December 31, 2018:

|                            | Entity-wide Basis          | Fund Basis                         |            |
|----------------------------|----------------------------|------------------------------------|------------|
|                            | Governmental<br>Activities | Governmental Funds<br>General Fund | Nonmajor   |
| Unavailable revenues       | \$ -                       | \$ 1,145,970                       | \$ 306,625 |
| Taxes collected in advance | 65,874                     | 65,874                             | -          |
|                            | \$ 65,874                  | \$ 1,211,844                       | \$ 306,625 |

*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 and government-wide statement of net position in connection with subsequent year property tax revenue collections which are not available for use in the current year.

## **18. 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, 2018:

Nonspendable - Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for 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, 2018:

|                                      | General<br>Fund | Capital<br>Project<br>Fund | Nonmajor<br>Governmental<br>Funds | Total<br>Governmental<br>Funds |
|--------------------------------------|-----------------|----------------------------|-----------------------------------|--------------------------------|
| <b>Nonspendable</b>                  |                 |                            |                                   |                                |
| Reserve for capital project deficits | \$ 425,038      | \$ -                       | \$ -                              | \$ 425,038                     |
| Nonexpendable permanent funds        | -               | -                          | 53,454                            | 53,454                         |
| Total Nonspendable                   | 425,038         | -                          | 53,454                            | 478,492                        |
| <b>Restricted</b>                    |                 |                            |                                   |                                |
| Debt service*                        | -               | 122,960                    | -                                 | 122,960                        |
| Other bonded projects                | -               | 3,756,488                  | -                                 | 3,756,488                      |
| <b>Special revenue funds:</b>        |                 |                            |                                   |                                |
| Cable TV                             | -               | -                          | 208,290                           | 208,290                        |
| Recreation                           | -               | -                          | 221,599                           | 221,599                        |
| Energy                               | -               | -                          | 254,813                           | 254,813                        |
| Library                              | -               | -                          | 250,489                           | 250,489                        |
| EMS                                  | -               | -                          | 293,673                           | 293,673                        |
| Other special revenue funds          | -               | -                          | 1,232,817                         | 1,232,817                      |
| <b>Expendable permanent funds:</b>   |                 |                            |                                   |                                |
| Swasey parkway                       | -               | -                          | 294,431                           | 294,431                        |
| Other                                | -               | -                          | 153                               | 153                            |
| Total Restricted                     | -               | 3,879,448                  | 2,756,265                         | 6,635,713                      |
| <b>Committed</b>                     |                 |                            |                                   |                                |
| <b>Capital reserves:</b>             |                 |                            |                                   |                                |
| Transportation fund                  | 122,840         | -                          | -                                 | 122,840                        |
| Swasey Parkway Maintenance           | 64,162          | -                          | -                                 | 64,162                         |
| Snow/ice                             | 52,101          | -                          | -                                 | 52,101                         |
| Other capital reserve funds          | 37,393          | -                          | -                                 | 37,393                         |
| Total Committed                      | 276,496         | -                          | -                                 | 276,496                        |
| <b>Assigned</b>                      |                 |                            |                                   |                                |
| Encumbrances                         | 20,000          | -                          | -                                 | 20,000                         |
| Total Assigned                       | 20,000          | -                          | -                                 | 20,000                         |
| <b>Unassigned</b>                    |                 |                            |                                   |                                |
|                                      | 3,622,831       | (425,038)                  | (156,431)                         | 3,041,362                      |
| Total Unassigned                     | 3,622,831       | (425,038)                  | (156,431)                         | 3,041,362                      |
| Total Fund Balance                   | \$ 4,344,365    | \$ 3,454,410               | \$ 2,653,288                      | \$ 10,452,063                  |

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

## 19. 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       | \$ 3,622,831        |
| Unavailable revenue      | 1,145,970           |
| Accrued payroll          | <u>244,092</u>      |
| Tax Rate Setting Balance | <u>\$ 5,012,893</u> |

**20. 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 benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service, and a benefit multiplier depending on vesting status as of January 1, 2012. The

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

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

*C. Contributions*

Plan members are required to contribute a percentage of their gross earnings to the pension plan, for which the contribution rates are 7% for employees and teachers, 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 11.08% to 27.79% of covered compensation. The Town's contributions to NHRS for the year ended December 31, 2018 was \$1,580,159, 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, 2018, the Town reported a liability of \$17,657,486 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating



employers, actuarially determined. At June 30, 2018, the Town's proportion was .36670289%.

For the year ended December 31, 2018, the Town recognized pension expense of \$1,526,707. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>(Inflows) of<br/>Resources</u> |
|--|---|--|
| Differences between expected and actual experience   | \$ 140,939                                    | \$ (142,973)                                   |
| Changes of assumptions   | 1,221,985                                     | -  |
| Net difference between projected and actual earnings on pension plan investments                     | -   | (408,610)                                      |
| Changes in proportion and differences between contributions and proportionate share of contributions | -   | (756,151)                                      |
| Contributions subsequent to the measurement date   | <u>816,754</u>                                | <u>-</u>                                       |
| Total  | <u>\$ 2,179,678</u>                           | <u>\$ (1,307,734)</u>                          |

The \$816,754 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 2019.

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

| Year ended: | <u>Deferred<br/>Outflows<br/>(Inflows)</u> |
|-------------|--|
| 2019        | \$ 496,041                                 |
| 2020        | 349,418                                    |
| 2021        | (596,382)                                  |
| 2022        | <u>(193,887)</u>                           |
| Total       | <u>\$ 55,190</u>                           |

*F. Actuarial Assumptions*

The total pension liability was determined using the actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

|                           |  |
|---------------------------|--|
| Inflation                 | 2.50% per year   |
| Salary increases          | 5.60% 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, 2017 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 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                         | 6.00%   |
| Total international equities     | 20.00                        |   |
| Core Bonds                       | 4.50                         | 0.50%   |
| Short Duration                   | 2.50                         | -0.25%  |
| Global Multi-Sector Fixed Income | 11.00                        | 1.80%   |
| Absolute Return Fixed Income     | 7.00                         | 1.14%   |
| Total fixed income               | 25.00                        |   |
| Private equity                   | 5.00                         | 6.25%   |
| Private debt                     | 5.00                         | 4.25%   |
| Opportunistic                    | 5.00                         | 2.15%   |
| 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:

| 1%<br>Decrease<br><u>(6.25%)</u> | Current<br>Discount Rate<br><u>(7.25%)</u> | 1%<br>Increase<br><u>(8.25%)</u> |
|----------------------------------|--|----------------------------------|
| \$ 23,493,430                    | \$ 17,657,486                              | \$ 12,766,787                    |

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.

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

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

A. Town OPEB Plan

All the following OPEB disclosures are based on a measurement date of December 31, 2018.

General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town’s plan. The Town provides health insurance coverage through HealthTrust. The OPEB plan is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

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

Benefits Provided

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

Plan Membership

At December 31, 2018, the following employees were covered by the benefit terms:

|                                      |                   |
|--------------------------------------|-------------------|
| Inactive employees or beneficiaries  |                   |
| currently receiving benefit payments | 48                |
| Active employees                     | <u>129</u>        |
| Total                                | <u><u>177</u></u> |

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by an actuarial valuation as of January 1, 2017, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

|  |  |
|--|--|
| Inflation                                | 2.50%  |
| Salary increases                         | 3.50%, average, including inflation  |
| Discount rate                            | 4.10%  |
| Healthcare cost trend rates              | 9.00% for 2017, fluctuating 1.00%, to an ultimate rate of 5.00% as of 2021 and later years |
| Retirees' share of benefit-related costs | 100%   |

The discount rate was based on the Bond Buyer's 20 Bond Index at December 31, 2018.

Mortality rates were based on the RPH-2014 Total Dataset mortality table projected fully generationally using projection scale MP-2017.

Discount Rate

The discount rate used to measure the total OPEB liability was 4.10%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Total OPEB Liability

The Town's total OPEB liability of \$2,223,303 was measured as of December 31, 2018 and was determined by an actuarial valuation as of January 1, 2017.

Changes in the Total OPEB Liability

|   | Total OPEB<br><u>Liability</u> |
|---|--------------------------------|
| Balances, beginning of year               | \$ 2,292,339                   |
| Changes for the year:                     |                                |
| Service cost                              | 97,061                         |
| Interest                                  | 80,121                         |
| Changes in assumptions<br>or other inputs | (124,580)                      |
| Benefit payments                          | <u>(121,638)</u>               |
| Net Changes                               | <u>(69,036)</u>                |
| Balances, end of year                     | \$ <u><u>2,223,303</u></u>     |

Changes of assumptions and other inputs reflect a change in the discount rate from 3.44% in 2017 to 4.10% in 2018.

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

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

| <u>1%</u><br><u>Decrease</u> | Current<br>Discount<br><u>Rate</u> | <u>1%</u><br><u>Increase</u> |
|------------------------------|------------------------------------|------------------------------|
| \$ 2,415,566                 | \$ 2,223,303                       | \$ 2,050,583                 |

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

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

| <u>1%</u><br><u>Decrease</u> | Current<br>Healthcare<br>Cost Trend<br><u>Rates</u> | <u>1%</u><br><u>Increase</u> |
|------------------------------|---|------------------------------|
| \$ 1,996,810                 | \$ 2,223,303  | \$ 2,487,689                 |

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

For the year ended December 31, 2018, the Town recognized an OPEB expense of \$121,638. At December 31, 2018, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

|                        | <u>Deferred</u><br><u>Outflows of</u><br><u>Resources</u> | <u>Deferred</u><br><u>(Inflows) of</u><br><u>Resources</u> |
|------------------------|---|--|
| Changes of assumptions | \$ <u>-</u>   | \$ <u>(107,490)</u>  |
| Total                  | \$ <u><u>-</u></u>  | \$ <u><u>(107,490)</u></u>                                 |

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

| <u>Year Ended:</u> |                            |
|--------------------|----------------------------|
| 2019               | \$ (17,090)                |
| 2020               | (17,090)                   |
| 2021               | (17,090)                   |
| 2022               | (17,090)                   |
| 2023               | (17,090)                   |
| Thereafter         | <u>(22,040)</u>            |
| Total              | \$ <u><u>(107,490)</u></u> |

B. New Hampshire Retirement System Medical Subsidy Plan Description

General Information about the OPEB Plan

Plan Description

In addition to the OPEB plan discussed in Note 21 A , the Town participates in the New Hampshire Retirement System (NHRS) Medical Subsidy. The NHRS administers a cost-sharing, multiple-employer other post-employment benefit plan (OPEB Plan) for retiree health insurance subsidies. Benefit amounts and eligibility requirements are set by state law, and members are designated by type. The four membership types are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees and Group I State Employees. Collectively, they are referred to as the OPEB Plan.

Benefits Provided

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

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

Actuarial Assumptions and Other Inputs

The Town's proportionate share of the NHRS Medical Subsidy as of December 31, 2018 is based upon an actuarial valuation performed as of June 30, 2017 (rolled forward to June 30, 2018) using a measurement date of June 30, 2018. The actuarial valuation used the following actuarial assumptions:



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

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

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

Net OPEB Liability, Expense, and Deferred Outflows and Inflows

The Town's proportionate share of the net NHRS Medical Subsidy (net OPEB liability) as of the measurement date of June 30, 2018 was \$1,795,891.

For the year ended December 31, 2018, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$595,727. At December 31, 2018, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

|  | <u>Deferred<br/>Outflows of<br/>Resources</u> | <u>Deferred<br/>(Inflows) of<br/>Resources</u> |
|--|---|--|
| Differences between expected and actual experience   | \$ 10,541                                     | \$ -   |
| Net difference between projected and actual earnings on pension plan investments                     | -   | (5,706)  |
| Changes in proportion and differences between contributions and proportionate share of contributions | 119,854                                       | -  |
| Contributions subsequent to the measurement date   | <u>91,876</u>                                 | <u>-</u>                                       |
| Total  | <u>\$ 222,271</u>                             | <u>\$ (5,706)</u>                              |

The \$91,876 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in 2019.

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

| <u>Year Ended:</u> |                   |
|--------------------|-------------------|
| 2019               | \$ 128,615        |
| 2020               | (1,780)           |
| 2021               | (1,780)           |
| 2022               | <u>(366)</u>      |
| Total              | \$ <u>124,689</u> |

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

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

| <u>1%<br/>Decrease</u> | <u>Current<br/>Discount<br/>Rate</u> | <u>1%<br/>Increase</u> |
|------------------------|--------------------------------------|------------------------|
| \$ 1,869,171           | \$ 1,795,891                         | \$ 1,590,620           |

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

The following consolidates the Town's total OPEB liability and related deferred outflows/inflows, and the Town's proportionate share of the NHRS Medical Subsidy net OPEB liability and related deferred outflows/inflows at December 31, 2018:

|   | <u>Total/Net<br/>OPEB<br/>Liability</u> | <u>Total<br/>Deferred<br/>Outflows of<br/>Resources</u> | <u>Total<br/>Deferred<br/>(Inflows) of<br/>Resources</u> |
|---|---|---|--|
| Town OPEB Plan                                      | \$ 2,223,303                            | \$ -  | \$ (107,490)   |
| Proportionate share of<br>NHRS Medical Subsidy Plan | <u>1,795,891</u>                        | <u>222,271</u>  | <u>(5,706)</u>   |
| Total   | \$ <u>4,019,194</u>                     | \$ <u>222,271</u>                                       | \$ <u>(113,196)</u>                                      |

**22. Subsequent Events**

Subsequent to December 31, 2018, the Town has incurred the following additional debt:

|                                       | <u>Amount</u> | <u>Interest Rate</u> | <u>Issue Date</u> | <u>Maturity Date</u> |
|---------------------------------------|---------------|----------------------|-------------------|----------------------|
| 2019 General Obligation Bond          | \$ 519,600    | 5.10%                | 06/04/19          | 08/15/24             |
| 2019 Bond Anticipation Note - Library | \$ 2,500,000  | 2.16%                | 07/10/19          | 02/14/19             |

**23. Commitments and Contingencies**

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

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

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.

**24. Beginning Fund Balance/Net Position Restatement**

The beginning (January 1, 2018) fund balance/net position of the Town has been restated as follows:

Government-Wide Financial Statements:

|                                | <u>Governmental Activities</u> | <u>Business-Type Activities</u> |
|--------------------------------|--------------------------------|---------------------------------|
| As previously reported         | \$ 7,079,828                   | \$ 11,877,828                   |
| Implementation of GASB 75 OPEB | <u>(1,795,362)</u>             | <u>(377,306)</u>                |
| As restated                    | <u>\$ 5,284,466</u>            | <u>\$ 11,500,522</u>            |

Fund Basis Financial Statements:

|                                | Water<br><u>Fund</u> | Sewer<br><u>Fund</u> |
|--------------------------------|----------------------|----------------------|
| As previously reported         | \$ 5,475,652         | \$ 6,402,176         |
| Implementation of GASB 75 OPEB | <u>(222,415)</u>     | <u>(154,891)</u>     |
| As restated                    | <u>\$ 5,253,237</u>  | <u>\$ 6,247,285</u>  |

**TOWN OF EXETER, NEW HAMPSHIRE**  
**SCHEDULE OF PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY (GASB 68)**  
**REQUIRED SUPPLEMENTARY INFORMATION**  
**DECEMBER 31, 2018**  
**(Unaudited)**

| New Hampshire Retirement System |                         |  |   |                        |   |  |
|---------------------------------|-------------------------|--|---|------------------------|---|--|
| <u>Fiscal Year</u>              | <u>Measurement Date</u> | <u>Proportion of the Net Pension Liability</u> | <u>Proportionate Share of the Net Pension Liability</u> | <u>Covered Payroll</u> | <u>Percentage Share of the Net Pension Liability as a Percentage of Covered Payroll</u> | <u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u> |
| December 31, 2018               | June 30, 2018           | 0.36670289%                                    | \$ 17,657,486   | \$ 8,681,910           | 203.383%  | 64.73%   |
| 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, 2018**

**(Unaudited)**

| New Hampshire Retirement System |                         |  |   |   |                        |   |
|---------------------------------|-------------------------|--|---|---|------------------------|---|
| <u>Fiscal Year</u>              | <u>Measurement Date</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, 2018               | June 30, 2018           | \$ 1,580,159                               | \$ 1,580,159  | \$ -                                    | \$ 8,465,025           | 18.67%  |
| December 31, 2017               | June 30, 2017           | \$ 1,456,964                               | \$ 1,456,964  | \$ -                                    | \$ 8,359,889           | 17.43%  |
| December 31, 2016               | June 30, 2016           | \$ 1,408,838                               | \$ 1,408,838  | \$ -                                    | \$ 8,155,765           | 17.27%  |
| December 31, 2015               | June 30, 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.

TOWN OF EXETER, NEW HAMPSHIRE  
 SCHEDULE OF PROPORTIONATE SHARE  
 OF THE NET OPEB LIABILITY (GASB 75)  
 DECEMBER 31, 2018  
 (Unaudited)

New Hampshire Retirement System Medical Subsidy

| <u>Fiscal Year</u> | <u>Measurement Date</u> | <u>Proportion of the Net OPEB Liability</u> | <u>Proportionate Share of the Net OPEB Liability</u> | <u>Covered Payroll</u> | <u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u> | <u>Plan Fiduciary Net Position Percentage of the Net OPEB Liability</u> |
|--------------------|-------------------------|---|--|------------------------|---|---|
| December 31, 2018  | June 30, 2018           | 0.039224807%                                | \$1,795,891  | \$ 8,681,910           | 20.69%  | 7.53%   |

*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  
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**Schedules of Changes in the Total OPEB Liability and Contributions (GASB 75)**

(Unaudited)

**Town of Exeter OPEB Plan\***

**Changes in Total OPEB Liability**

|   | <u>2018</u>                |
|---|----------------------------|
| <b>Total OPEB liability</b>                                 |                            |
| Service cost  | \$ 97,061                  |
| Interest on unfunded liability - time value of \$           | 80,121                     |
| Changes of assumptions                                      | (124,580)                  |
| Benefit payments, including refunds of member contributions | <u>(121,638)</u>           |
| Net change in total OPEB liability                          | (69,036)                   |
| Total OPEB liability - beginning                            | <u>2,292,339</u>           |
| Total OPEB liability - ending                               | <u><u>\$ 2,223,303</u></u> |

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

**Schedule of Contributions**

|  | <u>2018</u>              |
|--|--------------------------|
| Actuarially determined contribution                                  | \$ 198,663               |
| Contributions in relation to the actuarially determined contribution | <u>98,550</u>            |
| Contribution deficiency (excess)                                     | <u><u>\$ 100,113</u></u> |

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

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.