

TOWN OF BRISTOL, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2017

Town of Bristol, New Hampshire

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Bristol, 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 Bristol, New Hampshire, as of and for the year ended December 31, 2017, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the Pension and OPEB schedules appearing on pages 51 to 53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Melanson Heath

July 12, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

The Statement of Activities presents information showing how the Town's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future periods (e.g., uncollected taxes and earned but unused vacation leave).

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, highways and streets, sanitation, health, welfare, culture and recreation, conservation and economic development. The business-type activities include water and wastewater activities.

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 year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

Proprietary funds. Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), 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 wastewater operations, 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 year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$8,900,070 (i.e., net position), a change of \$402,519 in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$2,061,533, a change of \$312,701 in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$912,087 a change of \$4,648 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 5,728,709	\$ 5,102,554	\$ 2,281,586	\$ 1,614,108	\$ 8,010,295	\$ 6,716,662
Capital assets	7,367,853	-	3,936,235	3,843,732	11,304,088	3,843,732
Total assets	13,096,562	5,102,554	6,217,821	5,457,840	19,314,383	10,560,394
Deferred outflows	609,807	982,264	51,055	98,834	660,862	1,081,098
Current liabilities	3,411,594	3,209,349	200,048	6,085	3,611,642	3,215,434
Noncurrent liabilities	5,006,235	5,589,955	1,790,521	1,757,079	6,796,756	7,347,034
Total liabilities	8,417,829	8,799,304	1,990,569	1,763,164	10,408,398	10,562,468
Deferred Inflows	246,722	108,663	20,657	10,934	267,379	119,597
Net position:						
Net investment in capital assets	6,305,842	-	2,222,554	2,325,596	8,528,396	2,325,596
Restricted	621,478	488,413	-	-	621,478	488,413
Unrestricted	(1,885,502)	(3,311,562)	1,635,698	1,456,980	(249,804)	(1,854,582)
Total net position	\$ 5,041,818	\$ (2,823,149)	\$ 3,858,252	\$ 3,782,576	\$ 8,900,070	\$ 959,427

CHANGES IN NET POSITION

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:						
Program revenues						
Charges for services	\$ 730,715	\$ 693,349	\$ 987,471	\$ 1,034,645	\$ 1,718,186	\$ 1,727,994
Operating grants and contributions	62,975	371,768	21,743	15,427	84,718	387,195
Capital grants and contributions	475,000	27,066	-	-	475,000	27,066
General revenues:						
Property taxes	3,732,355	3,983,884	-	-	3,732,355	3,983,884
Motor vehicle permits	582,560	567,806	-	-	582,560	567,806
Penalties and interest on taxes	84,198	67,900	-	-	84,198	67,900
Grants and contributions not restricted to specific programs	342,051	263,517	-	-	342,051	263,517
Investment income	16,982	2,250	5,857	1,864	22,839	4,114
Miscellaneous	213,844	83,489	9,653	5,235	223,497	88,724
Total revenues	<u>6,240,680</u>	<u>6,061,029</u>	<u>1,024,724</u>	<u>1,057,171</u>	<u>7,265,404</u>	<u>7,118,200</u>
Expenses:						
General government	1,616,966	1,252,939	-	-	1,616,966	1,252,939
Public safety	2,529,350	2,800,441	-	-	2,529,350	2,800,441
Highway and streets	934,627	889,062	-	-	934,627	889,062
Sanitation	252,885	288,636	-	-	252,885	288,636
Health	89,735	68,305	-	-	89,735	68,305
Welfare	25,894	27,119	-	-	25,894	27,119
Culture and recreation	399,677	413,288	-	-	399,677	413,288
Conservation	1,326	1,364	-	-	1,326	1,364
Economic development	5,800	5,450	-	-	5,800	5,450
Interest on long-term debt	27,557	44,292	-	-	27,557	44,292
Water services	-	-	507,692	302,269	507,692	302,269
Wastewater services	-	-	471,426	338,405	471,426	338,405
Total expenses	<u>5,883,817</u>	<u>5,790,896</u>	<u>979,118</u>	<u>640,674</u>	<u>6,862,935</u>	<u>6,431,570</u>
Change in net position before transfers and permanent fund contributions	356,863	270,133	45,606	416,497	402,469	686,630
Transfers in (out)	(30,070)	(25,868)	30,070	25,868	-	-
Permanent fund contributions	50	-	-	-	50	-
Change in net position	<u>326,843</u>	<u>244,265</u>	<u>75,676</u>	<u>442,365</u>	<u>402,519</u>	<u>686,630</u>
Net position - beginning of year, as restated	<u>4,714,975</u>	<u>(3,067,414)</u>	<u>3,782,576</u>	<u>3,340,211</u>	<u>8,497,551</u>	<u>272,797</u>
Net position - end of year	<u>\$ 5,041,818</u>	<u>\$ (2,823,149)</u>	<u>\$ 3,858,252</u>	<u>\$ 3,782,576</u>	<u>\$ 8,900,070</u>	<u>\$ 959,427</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent year, total net position was \$8,900,070, a change of \$402,519 from the prior year.

The largest portion of net position, \$8,528,396, 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, \$621,478, 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 \$(249,804) primarily resulting from the Town's unfunded net pension liability.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$326,843. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 162,187
Other governmental funds operations	150,514
Depreciation in excess of principal debt service	(198,434)
Change in long-term liabilities	530,903
Other	<u>(318,327)</u>
Total	<u>\$ 326,843</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$75,676. Key elements of this change are as follows:

Water services	\$ (9,237)
Wastewater services	<u>84,913</u>
Total	<u>\$ 75,676</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$2,061,533, a change of \$312,701 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 162,187
Nonmajor funds operating results	<u>150,514</u>
Total	<u>\$ 312,701</u>

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$912,087, while total fund balance was \$1,507,914. 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 fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/17</u>	<u>12/31/16</u>	<u>Change</u>	% of <u>Total General Fund Expenditures</u>
Unassigned fund balance	\$ 912,087	\$ 907,439	\$ 4,648	17.1%
Total fund balance	\$ 1,507,914	\$ 1,345,727	\$ 162,187	28.2%

The fund balance of the general fund changed by \$162,187 during the current year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 441,726
Expenditures less than budget	15,340
Use of fund balance as a funding source	(424,300)
Tax collections as compared to budget	(28,118)
Expenditures of prior year encumbrances	(71,336)
Change in capital reserve funds	148,476
Other	<u>80,399</u>
Total	<u>\$ 162,187</u>

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

	<u>12/31/17</u>	<u>12/31/16</u>	<u>Change</u>
Capital reserves	\$ <u>382,249</u>	\$ <u>233,773</u>	\$ <u>148,476</u>
Total	<u>\$ 382,249</u>	<u>\$ 233,773</u>	<u>\$ 148,476</u>

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 \$1,635,698, a change of \$178,718 in comparison to 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 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 \$11,304,088 (net of accumulated depreciation), a change of \$(77,768) from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

Dump Truck	\$ 104,232
Police Interceptor	49,223
Enterprise:	
Dewatering Facility Upgrade CIP Sewer	316,961
Chevrolet Pick-Up Truck 50% Water	19,301
Chevrolet Pick-Up Truck 50% Waste Water	19,301

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

Long-term debt. At the end of the current year, total long-term debt outstanding was \$2,246,947, all of which was backed by the full faith and credit of the government.

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

REQUESTS FOR INFORMATION

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

Office of Town Administrator
Town of Bristol
230 Lake Street
Bristol, New Hampshire 03222

TOWN OF BRISTOL, NEW HAMPSHIRE

STATEMENT OF NET POSITION

DECEMBER 31, 2017

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 3,160,279	\$ 933,362	\$ 4,093,641
Restricted cash	382,249	870,279	1,252,528
Investments	80,750	-	80,750
Receivables, net of allowance for uncollectibles:			
Property taxes	1,520,385	-	1,520,385
User fees	86,009	201,933	287,942
Intergovernmental	9,094	1,800	10,894
Other assets	25,114	37,283	62,397
Internal balances	199,699	199,699	399,398
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	265,130	-	265,130
Intergovernmental	-	37,230	37,230
Capital assets:			
Land and construction in progress	780,101	326,855	1,106,956
Other assets, net of accumulated depreciation	6,587,752	3,609,380	10,197,132
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	<u>609,807</u>	<u>51,055</u>	<u>660,862</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	13,706,369	6,268,876	19,975,245
LIABILITIES			
Current:			
Accounts payable	153,470	40,932	194,402
Accrued liabilities	50,795	22,751	73,546
Due to school district	2,794,189	-	2,794,189
Tax refunds payable	175,925	-	175,925
Due to other governments	302	-	302
Other current liabilities	11,752	-	11,752
Current portion of long-term liabilities:			
Bonds and notes payable	115,967	132,839	248,806
Other	109,194	3,526	112,720
Noncurrent:			
Bonds and notes payable, net of current portion	599,698	1,398,443	1,998,141
Net pension liability	3,802,229	318,340	4,120,569
Net OPEB liability	235,536	42,012	277,548
Other, net of current portion	368,772	31,726	400,498
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	<u>246,722</u>	<u>20,657</u>	<u>267,379</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	8,664,551	2,011,226	10,675,777
NET POSITION			
Net investment in capital assets	6,305,842	2,222,554	8,528,396
Restricted for:			
Special purposes	566,660	-	566,660
Permanent funds:			
Nonexpendable	51,420	-	51,420
Expendable	3,398	-	3,398
Unrestricted	<u>(1,885,502)</u>	<u>1,635,698</u>	<u>(249,804)</u>
TOTAL NET POSITION	\$ <u>5,041,818</u>	\$ <u>3,858,252</u>	\$ <u>8,900,070</u>

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

TOWN OF BRISTOL, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net(Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 1,616,966	\$ 82,497	\$ -	\$ 475,000	\$ (1,059,469)	\$ -	\$ (1,059,469)
Public safety	2,529,350	495,153	50,404	-	(1,983,793)	-	(1,983,793)
Highways and streets	934,627	8,310	-	-	(926,317)	-	(926,317)
Sanitation	252,885	126,039	-	-	(126,846)	-	(126,846)
Health	89,735	-	-	-	(89,735)	-	(89,735)
Welfare	25,894	1,191	-	-	(24,703)	-	(24,703)
Culture and recreation	399,677	17,525	12,571	-	(369,581)	-	(369,581)
Conservation	1,326	-	-	-	(1,326)	-	(1,326)
Economic development	5,800	-	-	-	(5,800)	-	(5,800)
Interest	27,557	-	-	-	(27,557)	-	(27,557)
Total Governmental Activities	5,883,817	730,715	62,975	475,000	(4,615,127)	-	(4,615,127)
Business-Type Activities:							
Water services	507,692	485,952	11,179	-	-	(10,561)	(10,561)
Wastewater services	471,426	501,519	10,564	-	-	40,657	40,657
Total Business-Type Activities	979,118	987,471	21,743	-	-	30,096	30,096
Total	\$ 6,862,935	\$ 1,718,186	\$ 84,718	\$ 475,000	(4,615,127)	30,096	(4,585,031)
General Revenues, Transfers, and Contributions:							
Property taxes					3,732,355	-	3,732,355
Motor vehicle permits					582,560	-	582,560
Penalties, interest, and other taxes					84,198	-	84,198
Grants and contributions not restricted to specific programs					342,051	-	342,051
Investment income					16,982	5,857	22,839
Miscellaneous					213,844	9,653	223,497
Transfers, net					(30,070)	30,070	-
Permanent fund contributions					50	-	50
Total general revenues, transfers, and contributions					4,941,970	45,580	4,987,550
Change in Net Position					326,843	75,676	402,519
Net Position:							
Beginning of year, as restated					4,714,975	3,782,576	8,497,551
End of year					\$ 5,041,818	\$ 3,858,252	\$ 8,900,070

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

TOWN OF BRISTOL, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2017

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 2,613,377	\$ 546,902	\$ 3,160,279
Investments	-	80,750	80,750
Restricted cash	382,249	-	382,249
Receivables:			
Property taxes	1,858,155	-	1,858,155
User fees	86,009	-	86,009
Intergovernmental	-	9,094	9,094
Due from other funds	259,724	-	259,724
Other assets	2,736	-	2,736
TOTAL ASSETS	\$ 5,202,250	\$ 636,746	\$ 5,838,996
LIABILITIES			
Accounts payable	\$ 130,368	\$ 23,102	\$ 153,470
Accrued liabilities	41,120	-	41,120
Tax refunds payable	175,925	-	175,925
Due to other funds	-	60,025	60,025
Due to school district	2,794,189	-	2,794,189
Due to other governments	302	-	302
Other liabilities	11,752	-	11,752
TOTAL LIABILITIES	3,153,656	83,127	3,236,783
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	540,680	-	540,680
FUND BALANCES			
Nonspendable	-	51,420	51,420
Restricted	-	570,058	570,058
Committed	382,249	-	382,249
Assigned	213,578	-	213,578
Unassigned	912,087	(67,859)	844,228
TOTAL FUND BALANCES	1,507,914	553,619	2,061,533
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ 5,202,250	\$ 636,746	\$ 5,838,996

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

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

DECEMBER 31, 2017

Total governmental fund balances	\$ 2,061,533
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,367,853
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	468,040
• Long-term liabilities, including bonds payable, net pension liability, net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(5,231,396)
• Other	<u>375,788</u>
Net position of governmental activities	<u><u>\$ 5,041,818</u></u>

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

TOWN OF BRISTOL, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 3,737,226	\$ -	\$ 3,737,226
Penalties, interest, and other taxes	84,166	32	84,198
Charges for services	532,988	50,784	583,772
Intergovernmental	358,120	521,906	880,026
Licenses and permits	729,503	-	729,503
Investment income	1,370	13,480	14,850
Contributions	-	50	50
Miscellaneous	89,899	126,077	215,976
Total Revenues	<u>5,533,272</u>	<u>712,329</u>	<u>6,245,601</u>
Expenditures:			
Current:			
General government	1,014,130	479,092	1,493,222
Public safety	2,093,916	36,194	2,130,110
Highways and streets	837,979	-	837,979
Sanitation	229,408	22,200	251,608
Health	89,735	-	89,735
Welfare	25,894	-	25,894
Culture and recreation	342,774	24,329	367,103
Conservation	1,326	-	1,326
Economic development	5,800	-	5,800
Debt service	351,019	-	351,019
Capital outlay	349,034	-	349,034
Total Expenditures	<u>5,341,015</u>	<u>561,815</u>	<u>5,902,830</u>
Excess (deficiency) of revenues over expenditures	192,257	150,514	342,771
Other Financing Sources (Uses):			
Transfers in	5,760	-	5,760
Transfers out	(35,830)	-	(35,830)
Total Other Financing Sources (Uses)	<u>(30,070)</u>	<u>-</u>	<u>(30,070)</u>
Change in fund balance	162,187	150,514	312,701
Fund Equity, at Beginning of Year	<u>1,345,727</u>	<u>403,105</u>	<u>1,748,832</u>
Fund Equity, at End of Year	<u>\$ 1,507,914</u>	<u>\$ 553,619</u>	<u>\$ 2,061,533</u>

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

TOWN OF BRISTOL, NEW HAMPSHIRE

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

Net changes in fund balances - total governmental funds	\$ 312,701																
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td style="padding-left: 40px;">Capital outlay</td> <td style="text-align: right;">191,501</td> </tr> <tr> <td style="padding-left: 40px;">Depreciation</td> <td style="text-align: right;">(361,772)</td> </tr> </table> The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td style="padding-left: 40px;">Repayments of debt</td> <td style="text-align: right;">163,338</td> </tr> <tr> <td style="padding-left: 40px;">Change in net pension liability</td> <td style="text-align: right;">414,490</td> </tr> <tr> <td style="padding-left: 40px;">Change in net OPEB liability</td> <td style="text-align: right;">(31,668)</td> </tr> <tr> <td style="padding-left: 40px;">Repayment of lease payable</td> <td style="text-align: right;">154,565</td> </tr> </table> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., property taxes) differ between the two statements. This amount represents the net change in deferred revenue. <table> <tr> <td style="padding-left: 40px;"></td> <td style="text-align: right;">(4,871)</td> </tr> </table> Other differences. <table> <tr> <td style="padding-left: 40px;"></td> <td style="text-align: right;"><u>(511,441)</u></td> </tr> </table> 		Capital outlay	191,501	Depreciation	(361,772)	Repayments of debt	163,338	Change in net pension liability	414,490	Change in net OPEB liability	(31,668)	Repayment of lease payable	154,565		(4,871)		<u>(511,441)</u>
Capital outlay	191,501																
Depreciation	(361,772)																
Repayments of debt	163,338																
Change in net pension liability	414,490																
Change in net OPEB liability	(31,668)																
Repayment of lease payable	154,565																
	(4,871)																
	<u>(511,441)</u>																
Change in net position of governmental activities	\$ <u><u>326,843</u></u>																

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

TOWN OF BRISTOL, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2017

	Original Budget	Final Budget	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues and other sources:				
Property taxes	\$ 3,765,344	\$ 3,765,344	\$ 3,765,344	\$ -
Interest, penalties, and other taxes	92,965	92,965	84,166	(8,799)
Charges for services	469,450	469,450	532,988	63,538
Intergovernmental	272,030	272,030	277,721	5,691
Licenses and permits	655,950	655,950	729,503	73,553
Investment income	-	-	2,132	2,132
Miscellaneous	2,050	2,050	87,767	85,717
Other financing sources:				
Transfers in	6,260	6,260	226,154	219,894
Use of fund balance	424,300	424,300	424,300	-
Total Revenues	<u>5,688,349</u>	<u>5,688,349</u>	<u>6,130,075</u>	<u>441,726</u>
Expenditures and other uses:				
Current:				
General government	952,668	952,668	1,027,169	(74,501)
Public safety	2,137,868	2,137,868	2,093,916	43,952
Highways and streets	757,580	757,580	772,274	(14,694)
Sanitation	285,000	285,000	229,408	55,592
Health	47,584	47,584	25,894	21,690
Welfare	106,450	106,450	89,735	16,715
Culture and recreation	389,245	389,245	342,774	46,471
Conservation	3,348	3,348	1,326	2,022
Economic development	5,800	5,800	5,800	-
Debt service	393,806	393,806	386,849	6,957
Capital outlay	241,500	241,500	330,364	(88,864)
Other financing uses:				
Transfers out	367,500	367,500	367,500	-
Total Expenditures	<u>5,688,349</u>	<u>5,688,349</u>	<u>5,673,009</u>	<u>15,340</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 457,066</u>	<u>\$ 457,066</u>

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

TOWN OF BRISTOL, NEW HAMPSHIRE
 PROPRIETARY FUNDS
 STATEMENT OF NET POSITION
 DECEMBER 31, 2017

	Business-Type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 403,936	\$ 529,426	\$ 933,362
Restricted cash	669,172	201,107	870,279
User fees, net of allowance for uncollectibles	88,720	113,213	201,933
Intergovernmental receivables	-	1,800	1,800
Other assets	36,144	1,139	37,283
Total current assets	1,197,972	846,685	2,044,657
Noncurrent:			
Intergovernmental	-	37,230	37,230
Capital assets:			
Land and construction in progress	9,894	316,961	326,855
Other capital assets, net of accumulated depreciation	1,635,799	1,973,581	3,609,380
Total noncurrent assets	1,645,693	2,327,772	3,973,465
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	28,522	22,533	51,055
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2,872,187	3,196,990	6,069,177
LIABILITIES			
Current:			
Accounts payable	2,920	38,012	40,932
Accrued liabilities	8,131	14,620	22,751
Due to other funds	11,345	188,354	199,699
Current portion of long-term liabilities:			
Bonds payable	58,627	74,212	132,839
Other	1,763	1,763	3,526
Total current liabilities	82,786	316,961	399,747
Noncurrent:			
Bonds payable, net of current portion	619,410	779,033	1,398,443
Net pension liability	177,843	140,497	318,340
Net OPEB liability	21,006	21,006	42,012
Other, net of current portion	15,863	15,863	31,726
Total noncurrent liabilities	834,122	956,399	1,790,521
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	11,541	9,116	20,657
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	928,449	1,282,476	2,210,925
NET POSITION			
Net investment in capital assets	967,656	1,254,898	2,222,554
Unrestricted	976,082	659,616	1,635,698
TOTAL NET POSITION	\$ 1,943,738	\$ 1,914,514	\$ 3,858,252

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

TOWN OF BRISTOL, NEW HAMPSHIRE

PROPRIETARY FUNDS

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

FOR THE YEAR ENDED DECEMBER 31, 2017

	Business-Type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Total
Operating Revenues:			
Charges for services	\$ 485,952	\$ 511,172	\$ 997,124
Total Operating Revenues	485,952	511,172	997,124
Operating Expenses:			
Operating expenses	344,302	324,407	668,709
Depreciation	142,899	120,161	263,060
Total Operating Expenses	487,201	444,568	931,769
Operating Income (Loss)	(1,249)	66,604	65,355
Nonoperating Revenues (Expenses):			
Intergovernmental revenue	11,179	10,564	21,743
Investment income	4,204	1,653	5,857
Interest expense	(20,491)	(26,858)	(47,349)
Total Nonoperating Revenues (Expenses), Net	(5,108)	(14,641)	(19,749)
Income (Loss) Before Transfers	(6,357)	51,963	45,606
Transfers:			
Transfers in	-	35,830	35,830
Transfers out	(2,880)	(2,880)	(5,760)
Change in Net Position	(9,237)	84,913	75,676
Net Position at Beginning of Year, as restated	1,952,975	1,829,601	3,782,576
Net Position at End of Year	\$ 1,943,738	\$ 1,914,514	\$ 3,858,252

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

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

	Business-Type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 494,183	\$ 514,278	\$ 1,008,461
Payments to vendors and employees	<u>(348,181)</u>	<u>(319,261)</u>	<u>(667,442)</u>
Net Cash Provided By Operating Activities	146,002	195,017	341,019
<u>Cash Flows From Noncapital Financing Activities:</u>			
Transfers in (out)	(2,880)	32,950	30,070
Interfund borrowing	72,293	250,771	323,064
Intergovernmental	<u>-</u>	<u>1,727</u>	<u>1,727</u>
Net Cash Provided By Noncapital Financing Activities	69,413	285,448	354,861
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Principal payments on bonds	(87,960)	(45,720)	(133,680)
Issuance of debt	-	305,000	305,000
Acquisition and construction of capital assets	(19,301)	(336,262)	(355,563)
Interest expense	(20,491)	(26,858)	(47,349)
Intergovernmental grants/loans	<u>11,179</u>	<u>10,637</u>	<u>21,816</u>
Net Cash (Used For) Capital and Related Financing Activities	(116,573)	(93,203)	(209,776)
<u>Cash Flows From Investing Activities:</u>			
Investment income	4,204	1,653	5,857
Reclass of restricted cash	<u>(2,291)</u>	<u>(688)</u>	<u>(2,979)</u>
Net Cash Provided By Investing Activities	1,913	965	2,878
Net Change in Cash and Short-Term Investments	100,755	388,227	488,982
Cash and Short-Term Investments, Beginning of Year	<u>303,181</u>	<u>141,199</u>	<u>444,380</u>
Cash and Short-Term Investments, End of Year	<u>\$ 403,936</u>	<u>\$ 529,426</u>	<u>\$ 933,362</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>			
Operating income (loss)	\$ (1,249)	\$ 66,604	\$ 65,355
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	142,899	120,161	263,060
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees	8,231	3,106	11,337
Inventory	12,184	(1,139)	11,045
Deferred outflows - related to pensions	23,520	24,259	47,779
Accounts payable	(6,835)	28,470	21,635
Accrued expenditures	-	6,186	6,186
Other liabilities	4,019	787	4,806
OPEB liability	3,016	3,016	6,032
Net pension liability	(45,566)	(60,373)	(105,939)
Deferred inflows	<u>5,783</u>	<u>3,940</u>	<u>9,723</u>
Net Cash Provided By Operating Activities	<u>\$ 146,002</u>	<u>\$ 195,017</u>	<u>\$ 341,019</u>

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

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

	<u>Private Purpose Trust Funds</u>
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>232,844</u>
Total Assets	<u>232,844</u>
 <u>NET POSITION</u>	
Total net position held in trust	\$ <u><u>232,844</u></u>

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

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

	<u>Private Purpose Trust Funds</u>
Additions:	
Investment income	\$ <u>798</u>
Total additions	798
Deductions:	
Other	<u>4,000</u>
Total deductions	<u>4,000</u>
Net increase	(3,202)
Net position:	
Beginning of year	<u>236,046</u>
End of year	\$ <u><u>232,844</u></u>

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

TOWN OF BRISTOL, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Fund Financial Statements

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

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

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, 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 property taxes.

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The 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 services* fund accounts for water services provided to the Town's residents.
- The *wastewater services* fund accounts for sewerage treatment services provided to the Town's residents.

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

The Town reports the following fiduciary funds:

- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

D. Cash and Short-Term Investments

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

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

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

E. Investments

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

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

F. Interfund Receivables and Payables

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

G. Inventories

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

H. 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 \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

I. 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.

J. 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.

K. 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 and liabilities/deferred inflows. Net investment in capital assets consists of capital

assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

L. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

The Town's budget is originally prepared by the Selectmen's office with the cooperation of the various department heads. It is then submitted to the Budget Committee, in accordance with the Municipal Budget Law. After reviewing the budget, the Committee holds a public hearing for discussion.

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

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

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

accounting principles to provide a meaningful comparison to budgetary data.

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 5,533,272	\$ 5,341,015
Other financing sources/uses (GAAP basis)	<u>5,760</u>	<u>35,830</u>
Subtotal (GAAP Basis)	5,539,032	5,376,845
Adjust tax revenue to accrual basis	28,118	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(204,515)
Add end-of-year appropriation carryforwards from expenditures	-	133,179
Recognize use of fund balance as funding source	424,300	-
Eliminate capital reserve activity	219,024	367,500
Other timing differences	<u>(80,399)</u>	<u>-</u>
Budgetary basis	<u>\$ 6,130,075</u>	<u>\$ 5,673,009</u>

D. Deficit Fund Equity

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

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

3. Cash and Short-Term Investments

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

surplus of said bank.” The Town does not have a deposit policy for custodial credit risk.

As of December 31, 2017, none of the Town’s bank balance of \$4,989,405 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank’s trust department not in the Town’s name.

4. Restricted Cash

Restricted cash represents capital reserve funds held by the trustees of trust funds as of December 31, 2017.

5. 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>Amount</u>	Minimum Legal <u>Rating</u>	Exempt From <u>Disclosure</u>
Mutual funds	\$ <u>80,750</u>	N/A	\$ <u>80,750</u>
Total investments	\$ <u>80,750</u>		\$ <u>80,750</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.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer.

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.

The Town has no securities that are sensitive to market interest rate fluctuations.

E. Foreign Currency Risk

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

F. Fair Value

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

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

<u>Description</u>	<u>Fair Value Measurements Using:</u>	
	Quoted prices in active markets for identical assets <u>(Level 1)</u>	
Investments by fair value level:		
Mutual funds	\$ 80,750	\$ 80,750

6. Taxes Receivable

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

will be charged interest at a rate of 18%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Property taxes receivable reported in the government-wide financial statements are net of an allowance for doubtful accounts of \$72,640.

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

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate taxes	\$ 1,592,376	\$ -	\$ 1,592,376
Tax liens	260,383	(72,640)	187,743
Other	5,396	-	5,396
Total property taxes	<u>\$ 1,858,155</u>	<u>\$ (72,640)</u>	<u>\$ 1,785,515</u>

Taxes Collected for Others

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

7. User Fee Receivables

Governmental user fee receivables consist of ambulance charges. Receivables for business-type user charges and betterments at December 31, 2017 consist of the following:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Water	\$ 98,578	\$ (9,858)	\$ 88,720
Wastewater	125,792	(12,579)	113,213
Total	<u>\$ 224,370</u>	<u>\$ (22,437)</u>	<u>\$ 201,933</u>

8. Intergovernmental Receivables

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

9. Interfund Fund Accounts

Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the December 31, 2017 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 259,724	\$ -
Special Revenue Funds:	-	8,081
Capital Project Funds:	-	51,944
Enterprise Funds:	<u>-</u>	<u>199,699</u>
Total	<u>\$ 259,724</u>	<u>\$ 259,724</u>

Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of major interfund transfers.

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 5,760	\$ 35,830
<u>Business-Type Funds:</u>		
Water Fund	-	2,880
Wastewater Fund	<u>35,830</u>	<u>2,880</u>
Subtotal Business-Type Funds:	<u>35,830</u>	<u>5,760</u>
Grand Total	<u>\$ 41,590</u>	<u>\$ 41,590</u>

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

10. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,717,447	\$ -	\$ -	\$ 1,717,447
Machinery, equipment, and furnishings	149,075	25,012	-	174,087
Vehicles	3,390,297	166,489	-	3,556,786
Infrastructure	7,172,350	-	-	7,172,350
Total capital assets, being depreciated	12,429,169	191,501	-	12,620,670
Less accumulated depreciation for:				
Buildings and improvements	(389,141)	(38,739)	-	(427,880)
Machinery, equipment, and furnishings	(53,432)	(7,087)	-	(60,519)
Vehicles	(1,630,896)	(168,784)	-	(1,799,680)
Infrastructure	(3,597,677)	(147,162)	-	(3,744,839)
Total accumulated depreciation	(5,671,146)	(361,772)	-	(6,032,918)
Total capital assets, being depreciated, net	6,758,023	(170,271)	-	6,587,752
Capital assets, not being depreciated:				
Land	780,101	-	-	780,101
Total capital assets, not being depreciated	780,101	-	-	780,101
Governmental activities capital assets, net	<u>\$ 7,538,124</u>	<u>\$ (170,271)</u>	<u>\$ -</u>	<u>\$ 7,367,853</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,841,560	\$ -	\$ -	\$ 2,841,560
Machinery, equipment, and furnishings	1,972,631	38,602	-	2,011,233
Infrastructure	5,102,345	-	-	5,102,345
Total capital assets, being depreciated	9,916,536	38,602	-	9,955,138
Less accumulated depreciation for:				
Buildings and improvements	(1,981,507)	(23,255)	-	(2,004,762)
Machinery, equipment, and furnishings	(1,665,803)	(62,513)	-	(1,728,316)
Infrastructure	(2,435,388)	(177,292)	-	(2,612,680)
Total accumulated depreciation	(6,082,698)	(263,060)	-	(6,345,758)
Total capital assets, being depreciated, net	3,833,838	(224,458)	-	3,609,380
Capital assets, not being depreciated:				
Land	9,894	-	-	9,894
Construction in progress	-	316,961	-	316,961
Total capital assets, not being depreciated	9,894	316,961	-	326,855
Business-type activities capital assets, net	<u>\$ 3,843,732</u>	<u>\$ 92,503</u>	<u>\$ -</u>	<u>\$ 3,936,235</u>

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

Governmental Activities:	
General government	\$ 36,954
Public safety	112,832
Highways & streets	192,555
Culture and recreation	<u>19,431</u>
Total depreciation expense - governmental activities	\$ <u>361,772</u>
Business-Type Activities:	
Water	\$ 142,899
Wastewater	<u>120,161</u>
Total depreciation expense - business-type activities	\$ <u>263,060</u>

11. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions, in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, are more fully discussed in Note 19.

12. Accounts Payable and Accrued Liabilities

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

13. Tax Refunds Payable

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

14. Capital Lease Obligations

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

	<u>Fiscal</u> <u>Year</u>	<u>Capital</u> <u>Leases</u>
	2018	\$ 98,227
	2019	70,759
	2020	70,760
	2021	<u>70,960</u>
Total payments		310,706
Less amounts representing interest		<u>17,012</u>
Present Value of Minimum Lease Payments		<u>\$ 293,694</u>

15. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds and notes payable to provide funds for the acquisition and construction of major capital facilities and equipment. Notes payable have been issued for both governmental and business-type activities. General obligation bonds have been issued for business-type activities. General obligation bonds and notes payable currently outstanding are as follows:

<u>Governmental Activities:</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 12/31/17
Library project	06/30/22	2.12%	\$ 444,000
Central Square project	10/15/27	2.54%	<u>271,665</u>
Total Governmental Activities:			<u>\$ 715,665</u>

<u>Business-Type Activities:</u>	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 12/31/17
<u>Water</u>			
SRF Drinking Water	05/01/31	1.10%	\$ 470,600
Central Square	10/15/27	2.54%	181,095
SRF Loan Water Meter Project	10/01/21	0.61%	26,342
<u>Sewer</u>			
Sewerage treatment plant upgrades	02/15/39	3.55%	314,400
Wastewater plant- chlorinate	08/15/33	3.11%	130,100
Central Square	10/15/27	2.54%	90,575
SRF Loan Water Meter Project	10/01/21	0.61%	13,170
Waste Water Dewatering Treatment Facility	07/21/17	2.55%	<u>305,000</u>
Total Business-Type Activities:			<u>\$ 1,531,282</u>

B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 115,967	\$ 16,314	\$ 132,281
2019	115,967	13,741	129,708
2020	115,967	11,169	127,136
2021	115,967	8,595	124,562
2022	115,967	6,023	121,990
2023 - 2027	<u>135,830</u>	<u>10,350</u>	<u>146,180</u>
Total	\$ <u>715,665</u>	\$ <u>66,192</u>	\$ <u>781,857</u>

The general fund has been designated as the source to repay the governmental-type general obligation long-term debt outstanding as of December 31, 2017.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 132,839	\$ 48,450	\$ 181,289
2019	133,694	46,783	180,477
2020	115,910	43,259	159,169
2021	117,313	39,886	157,199
2022	119,643	36,415	156,058
2023 - 2027	492,714	130,026	622,740
2028 - 2032	281,569	63,852	345,421
2033 - 2040	31,000	21,426	52,426
Thereafter	<u>106,600</u>	<u>1,525</u>	<u>108,125</u>
Total	\$ <u>1,531,282</u>	\$ <u>431,622</u>	\$ <u>1,962,904</u>

C. Changes in General Long-Term Liabilities

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

	Total Balance 1/1/17	Additions	Reductions	Total Balance 12/31/17	Less Current Portion	Equals Long-Term Portion 12/31/17
<u>Governmental Activities</u>						
Bonds and notes payable \$	879,003	\$ -	\$ (163,338)	\$ 715,665	\$ (115,967)	\$ 599,698
Net pension liability	4,216,719	-	(414,490)	3,802,229	-	3,802,229
OPEB liability	203,868	31,668	-	235,536	-	235,536
Other:						
Lease payable	448,259	-	(154,565)	293,694	(90,767)	202,927
Accrued employee benefits	177,788	6,484	-	184,272	(18,427)	165,845
Subtotal other	626,047	6,484	(154,565)	477,966	(109,194)	368,772
Totals	\$ 5,925,637	\$ 38,152	\$ (732,393)	\$ 5,231,396	\$ (225,161)	\$ 5,006,235
	Total Balance 1/1/17	Additions	Reductions	Total Balance 12/31/17	Less Current Portion	Equals Long-Term Portion 12/31/17
<u>Business-Type Activities</u>						
Bonds and notes payable \$	1,359,962	\$ 305,000	\$ (133,680)	\$ 1,531,282	\$ (132,839)	\$ 1,398,443
Net pension liability	424,279	(105,939)	-	318,340	-	318,340
OPEB liability	35,980	6,032	-	42,012	-	42,012
Other:						
Accrued employee benefits	33,678	1,574	-	35,252	(3,526)	31,726
Totals	\$ 1,853,899	\$ 206,667	\$ (133,680)	\$ 1,926,886	\$ (136,365)	\$ 1,790,521

16. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The Town reports two items as deferred inflows of resources: one which is attributable to changes in the net pension liability, and the other which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds. Deferred inflows of resources related to pension will be recognized in pension expense in future years and is more fully described in Note 19. *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

17. Governmental Funds - Balances

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

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

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

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

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

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, capital reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), special purpose stabilization funds, and various special revenue funds.

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

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

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

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 51,420	\$ 51,420
Total Nonexpendable	-	51,420	51,420
Restricted			
Capital projects	-	15,207	15,207
Special revenue funds	-	551,453	551,453
Expendable permanent funds	-	3,398	3,398
Total Restricted	-	570,058	570,058
Committed			
Capital reserve funds	382,249	-	382,249
Total Committed	382,249	-	382,249
Assigned			
Encumbrances	213,578	-	213,578
Total Assigned	213,578	-	213,578
Unassigned			
Unassigned	912,087	-	-
Capital projects	-	(67,859)	844,228
Total Unassigned	912,087	(67,859)	844,228
Total Fund Balance	<u>\$ 1,507,914</u>	<u>\$ 553,619</u>	<u>\$ 2,061,533</u>

18. 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	\$ 912,087
Unavailable revenue	540,680
Allowance for doubtful accounts	<u>(72,640)</u>
Tax Rate Setting Balance	<u>\$ 1,380,127</u>

19. 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 State of New Hampshire Retirement System (NHRS), a cost-sharing, multiple-employer contributory pension plan and trust established in 1967 by RSA 100-A:2 and is 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, funding policies, vesting requirements, contribution requirements and plan assets available to pay benefits are disclosed in the NHRS annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

B. Benefits Provided

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

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

benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

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

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, for which the contribution rates are 7% for employees and teachers, 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.86% to 25.32% of covered compensation. The Town's contribution to NHRS for the year ended December 31, 2017 was \$352,952, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

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

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

At December 31, 2017, the Town reported a liability of \$4,120,569 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Town's proportion was .08378561 percent.

For the year ended December 31, 2017, the Town recognized pension expense of \$400,800. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 9,343	\$ 52,442
Changes of assumptions	413,765	-
Net difference between projected and actual earnings on pension plan investments	-	52,477
Changes in proportion and differences between contributions and proportionate share of contributions	46,693	162,460
Contributions subsequent to the measurement date	<u>191,061</u>	<u>-</u>
Total	<u>\$ 660,862</u>	<u>\$ 267,379</u>

The \$191,061 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 39,554
2019	145,025
2020	114,449
2021	<u>(96,606)</u>
Total	<u>\$ 202,422</u>

F. Actuarial Assumptions

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

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

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

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

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

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

G. Discount Rate

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

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

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

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 5,428,645	\$ 4,120,569	\$ 3,048,655

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.

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

The Town implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. The Town has elected to use the alternative measurement method instead of obtaining an actuarial valuation. Statement 45 allows employers with less than one hundred total plan members to apply a simplified alternative measurement method instead of obtaining actuarial valuations. The alternative method includes the same broad measurement steps as an actuarial valuation; however, it permits simplification of certain assumptions to make the method usable by nonspecialists.

Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of a required contribution as an expense on the Statement of Revenues, Expenses, and Changes in Net Position when future retirees earn their post-employment benefits, rather than when they use their post-employment benefits. To the extent that an entity does not fund its required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

The Town provides its eligible retirees, including in some cases their beneficiaries (as governed by RSA 100-A:50), the ability to purchase health, dental, and prescription insurance at the Town's group rates. Although the Town does not supplement the cost of these plans, GASB Statement 45 requires the Town to recognize the liability for the inclusion of any implicit rate subsidies afforded its retirees. This subsidy is generated as a result of the basic nature of insurance - one risk group subsidizes another to arrive at a blended premium; therefore, current employees who are young and healthy subsidize the older retirees. As of December 31, 2017, there were 9 retiree subscribers, including eligible spouses and dependents, and 50 active employees meeting the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

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

C. Funding Policy

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

D. Annual OPEB Costs and Net OPEB Obligation

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

Annual Required Contribution (ARC)	\$ <u>54,540</u>
Annual OPEB cost	54,540
Contributions made	<u>(16,840)</u>
Increase in net OPEB obligation	37,700
Net OPEB obligation - beginning of year	<u>239,848</u>
Net OPEB obligation - end of year	\$ <u><u>277,548</u></u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$54,540	30.9%	\$277,548
2016	\$49,972	36.9%	\$239,848
2015	\$48,563	29.7%	\$205,705

E. Funded Status and Funding Progress

The funded status of the plan as of December 31, 2017, the date of the most recent valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 640,325
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	\$ <u><u>640,325</u></u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	\$ <u><u>1,917,358</u></u>
UAAL as a percentage of covered payroll	<u><u>33.4%</u></u>

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

F. Actuarial Methods and Assumptions

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

In the December 31, 2017 actuarial valuation, the projected unit credit cost method was used. The value of assets was not determined, as the Town has not advance funded its obligation. The assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 10% which decreases to a 5% long-term rate for all healthcare benefits after ten years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 4%.

21. Commitments and Contingencies

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

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

22. Beginning Net Position Restatement

The beginning (January 1, 2017) net position of the Town has been restated as follows:

Government-Wide Financial Statements:

	Governmental <u>Activities</u>	<u>Business-Type Activities</u>		
		<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
As previously reported	\$ (2,823,149)	\$ 1,918,142	\$ 1,864,434	\$ 3,782,576
Restate for Fixed Assets	7,538,124	-	-	-
Reclassify SRF Loan				
Water Meter Project	-	34,833	(34,833)	-
As restated	<u>\$ 4,714,975</u>	<u>\$ 1,952,975</u>	<u>\$ 1,829,601</u>	<u>\$ 3,782,576</u>

23. Implementation of New GASB Standard

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions, replacing requirements of Statements No. 45 and 57, effective for the Town beginning with its year ending December 31, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. In addition, this Statement details the recognition and disclosure requirements for employers with payables to defined benefit OPEB plans that are administered through trusts that meet the specific criteria and for employers whose employees are provided with defined contribution OPEB.

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

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2017	June 30, 2016	0.08378561%	\$4,120,569	\$1,738,206	237.06%	62.66%
June 30, 2016	June 30, 2015	0.08727626%	\$4,640,998	\$1,643,663	282.36%	58.30%
June 30, 2015	June 30, 2014	0.08542126%	\$3,383,986	\$1,673,364	202.23%	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 BRISTOL, NEW HAMPSHIRE
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)
DECEMBER 31, 2017
(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2017	\$ 352,952	\$ 352,952	\$ -	\$ 1,917,358	18.41%
December 31, 2016	\$ 279,557	\$ 279,557	\$ -	\$ 1,572,353	17.78%
December 31, 2015	\$ 302,864	\$ 302,864	\$ -	\$ 1,716,043	17.65%

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

See Independent Auditors' Report.

TOWN OF BRISTOL, NEW HAMPSHIRE
SCHEDULE OF OPEB FUNDING PROGRESS (GASB 45)

December 31, 2017
(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) - Entry Age <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Covered Payroll <u>(c)</u>	UAAL as a Percent- age of Covered Payroll <u>[(b-a)/c]</u>
12/31/17	\$ -	\$ 640,325	\$ 640,325	0.0%	\$ 1,917,358	33.4%
12/31/16	\$ -	\$ 579,506	\$ 579,506	0.0%	\$ 1,572,353	36.9%
12/31/15	\$ -	\$ 580,289	\$ 580,289	0.0%	\$ 1,716,043	33.8%

See Independent Auditors' Report.