

TOWN OF BRISTOL, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2018

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, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the Pension and OPEB schedules appearing on pages 53 to 56 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

May 13, 2019

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, 2018.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements 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 \$8,874,349 (i.e., net position), a change of \$307,170 in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$2,468,662, a change of \$407,129 in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$891,184 a change of \$(20,903) 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>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 6,333,483	\$ 5,728,709	\$ 1,910,430	\$ 1,882,188	\$ 8,243,913	\$ 7,610,897
Capital assets	7,511,038	7,367,853.00	3,778,375	3,936,235	11,289,413	11,304,088
Total assets	13,844,521	13,096,562	5,688,805	5,818,423	19,533,326	18,914,985
Deferred outflows of resources	791,715	609,807	74,578	51,055	866,293	660,862
Current liabilities	3,229,544	3,411,594	138,133	200,048	3,367,677	3,611,642
Noncurrent liabilities	6,175,287	5,006,235	1,733,260	1,790,521	7,908,547	6,796,756
Total liabilities	9,404,831	8,417,829	1,871,393	1,990,569	11,276,224	10,408,398
Deferred Inflows of resources	227,605	246,722	21,441	20,657	249,046	267,379
Net position:						
Net investment in capital assets	5,902,379	6,305,842	2,175,025	2,222,554	8,077,404	8,528,396
Restricted	541,489	621,478	-	-	541,489	621,478
Unrestricted	(1,440,068)	(1,885,502)	1,695,524	1,635,698	255,456	(249,804)
Total net position	<u>\$ 5,003,800</u>	<u>\$ 5,041,818</u>	<u>\$ 3,870,549</u>	<u>\$ 3,858,252</u>	<u>\$ 8,874,349</u>	<u>\$ 8,900,070</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 \$8,874,349, a change of \$307,170 from the prior year.

The largest portion of net position, \$8,077,404, 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, \$541,489, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$255,456 may be used to meet the government's ongoing obligations to citizens and creditors.

CHANGES IN NET POSITION

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues						
Charges for services	\$ 812,792	\$ 730,715	\$ 1,030,487	\$ 987,471	\$ 1,843,279	\$ 1,718,186
Operating grants and contributions	19,037	62,975	10,502	21,743	29,539	84,718
Capital grants and contributions	16,325	475,000	35,004	-	51,329	475,000
General revenues:						
Property taxes	3,597,461	3,732,355	-	-	3,597,461	3,732,355
Motor vehicle permits	641,409	582,560	-	-	641,409	582,560
Penalties and interest on taxes	100,197	84,198	-	-	100,197	84,198
Grants and contributions not restricted to specific programs	273,166	342,051	-	-	273,166	342,051
Investment income	16,567	16,982	16,871	5,857	33,438	22,839
Miscellaneous	256,554	213,844	5,948	9,653	262,502	223,497
Total revenues	5,733,508	6,240,680	1,098,812	1,024,724	6,832,320	7,265,404
Expenses:						
General government	1,502,719	1,616,966	-	-	1,502,719	1,616,966
Public safety	2,355,173	2,529,350	-	-	2,355,173	2,529,350
Highway and streets	780,565	934,627	-	-	780,565	934,627
Sanitation	295,972	252,885	-	-	295,972	252,885
Health	92,984	89,735	-	-	92,984	89,735
Welfare	31,630	25,894	-	-	31,630	25,894
Culture and recreation	376,048	399,677	-	-	376,048	399,677
Conservation	1,610	1,326	-	-	1,610	1,326
Economic development	2,900	5,800	-	-	2,900	5,800
Interest on long-term debt	23,182	27,557	-	-	23,182	27,557
Water services	-	-	508,442	507,692	508,442	507,692
Wastewater services	-	-	553,925	471,426	553,925	471,426
Total expenses	5,462,783	5,883,817	1,062,367	979,118	6,525,150	6,862,935
Change in net position before transfers and permanent fund contributions	270,725	356,863	36,445	45,606	307,170	402,469
Transfers in (out)	18,999	(30,070)	(18,999)	30,070	-	-
Permanent fund contributions	-	50	-	-	-	50
Change in net position	289,724	326,843	17,446	75,676	307,170	402,519
Net position - beginning of year, as restated	4,714,076	4,714,975	3,853,103	3,782,576	8,567,179	8,497,551
Net position - end of year	\$ 5,003,800	\$ 5,041,818	\$ 3,870,549	\$ 3,858,252	\$ 8,874,349	\$ 8,900,070

The 2017 amounts were not restated as the Town applied GASB 75 prospectively.

Governmental activities. Governmental activities for the year resulted in a change in net position of \$289,724. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 493,315
Other governmental funds operations	(86,186)
Depreciation in excess of principal debt service	(272,970)
Other	<u>155,565</u>
Total	<u>\$ 289,724</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$17,446. Key elements of this change are as follows:

Water services	\$ (32,527)
Wastewater services	<u>49,973</u>
Total	<u>\$ 17,446</u>

D. FINANCIAL ANALYSIS OF 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 \$2,468,662, a change of \$407,129 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 493,315
Nonmajor funds operating results	<u>(86,186)</u>
Total	<u>\$ 407,129</u>

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$891,184, while total fund balance was \$2,001,229. 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>12/31/18</u>	<u>12/31/17</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 891,184	\$ 912,087	\$ (20,903)	15.4%
Total fund balance	\$ 2,001,229	\$ 1,507,914	\$ 493,315	34.5%

The fund balance of the general fund changed by \$493,315 during the current year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 335,581
Expenditures less than budget	40,244
Use of fund balance as a funding source	(328,000)
Tax collections as compared to budget	(140,893)
Expenditures of prior year encumbrances	(13,013)
Change in capital reserve funds	35,559
Other	<u>563,837</u>
Total	<u>\$ 493,315</u>

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

	<u>12/31/18</u>	<u>12/31/17</u>	<u>Change</u>
Capital reserves	\$ <u>417,808</u>	\$ <u>382,249</u>	\$ <u>35,559</u>
Total	\$ <u>417,808</u>	\$ <u>382,249</u>	\$ <u>35,559</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 \$1,695,524, a change of \$59,826 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 \$11,289,413 (net of accumulated depreciation), a change of \$(14,675) 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:

Governmental:

CIP Additions:

Multi-Use Pemi Pathway	\$ 172,952
Central Street Improvements	\$ 86,369

Fixed Asset Additions:

Transfer Station Upgrade	\$ 245,524
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Enterprise:

CIP Additions:

Prelim Design Sewer to Lake	\$ 50,800
Sewer Dewatering Facility	\$ 17,805

Reclass from CIP to Depreciable Assets:

Sewer Dewatering Facility	\$ 334,766
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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 \$2,628,995, 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, 2018

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 3,263,772	\$ 1,027,963	\$ 4,291,735
Restricted cash	417,808	880,553	1,298,361
Investments	74,074	-	74,074
Receivables, net of allowance for uncollectibles:			
Property taxes	766,929	-	766,929
User fees	968,279	220,229	1,188,508
Intergovernmental	-	1,800	1,800
Other assets	366,521	26,190	392,711
Internal balances	281,735	(281,735)	-
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	194,365	-	194,365
Intergovernmental	-	35,430	35,430
Capital assets:			
Land and construction in progress	1,039,422	60,694	1,100,116
Other assets, net of accumulated depreciation	6,471,616	3,717,681	10,189,297
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	733,825	69,124	802,949
Related to OPEB	57,890	5,454	63,344
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	14,636,236	5,763,383	20,399,619
LIABILITIES			
Current:			
Accounts payable	152,187	4,719	156,906
Accrued liabilities	56,651	16,019	72,670
Due to school district	2,562,817	-	2,562,817
Tax refunds payable	224,383	-	224,383
Taxes paid in advance	8,636	-	8,636
Due to other governments	554	-	554
Other current liabilities	9,298	-	9,298
Current portion of long-term liabilities:			
Bonds and notes payable	116,942	113,935	230,877
Other	98,076	3,460	101,536
Noncurrent:			
Bonds and notes payable, net of current portion	1,133,368	1,264,750	2,398,118
Net pension liability	3,996,491	376,461	4,372,952
Net OPEB liability	646,571	60,907	707,478
Other, net of current portion	398,857	31,142	429,999
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	226,224	21,311	247,535
Related to OPEB	1,381	130	1,511
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	9,632,436	1,892,834	11,525,270
NET POSITION			
Net investment in capital assets	5,902,379	2,175,025	8,077,404
Restricted for:			
Special purposes	486,024	-	486,024
Permanent funds:			
Nonexpendable	51,420	-	51,420
Expendable	4,045	-	4,045
Unrestricted	(1,440,068)	1,695,524	255,456
TOTAL NET POSITION	\$ 5,003,800	\$ 3,870,549	\$ 8,874,349

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, 2018

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net(Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 1,502,719	\$ 84,677	\$ -	\$ 16,325	\$ (1,401,717)	\$ -	\$ (1,401,717)
Public safety	2,355,173	567,830	9,624	-	(1,777,719)	-	(1,777,719)
Highways and streets	780,565	8,303	-	-	(772,262)	-	(772,262)
Sanitation	295,972	130,872	-	-	(165,100)	-	(165,100)
Health	92,984	-	-	-	(92,984)	-	(92,984)
Welfare	31,630	560	-	-	(31,070)	-	(31,070)
Culture and recreation	376,048	20,550	9,413	-	(346,085)	-	(346,085)
Conservation	1,610	-	-	-	(1,610)	-	(1,610)
Economic development	2,900	-	-	-	(2,900)	-	(2,900)
Interest	23,182	-	-	-	(23,182)	-	(23,182)
Total Governmental Activities	5,462,783	812,792	19,037	16,325	(4,614,629)	-	(4,614,629)
Business-Type Activities:							
Water services	508,442	497,960	-	-	-	(10,482)	(10,482)
Wastewater services	553,925	532,527	10,502	35,004	-	24,108	24,108
Total Business-Type Activities	1,062,367	1,030,487	10,502	35,004	-	13,626	13,626
Total	\$ 6,525,150	\$ 1,843,279	\$ 29,539	\$ 51,329	(4,614,629)	13,626	(4,601,003)
General Revenues, Transfers, and Contributions:							
					3,597,461	-	3,597,461
					641,409	-	641,409
					100,197	-	100,197
					273,166	-	273,166
					16,567	16,871	33,438
					256,554	5,948	262,502
					18,999	(18,999)	-
Total general revenues, transfers, and contributions					4,904,353	3,820	4,908,173
Change in Net Position					289,724	17,446	307,170
Net Position:							
Beginning of year, as restated					4,714,076	3,853,103	8,567,179
End of year					\$ 5,003,800	\$ 3,870,549	\$ 8,874,349

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

TOWN OF BRISTOL, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2018

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 2,837,526	\$ 426,246	\$ 3,263,772
Investments	-	74,074	74,074
Restricted cash	417,808	-	417,808
Receivables:			
Property taxes	1,013,392	-	1,013,392
User fees	768,125	191,060	959,185
Intergovernmental	-	9,094	9,094
Due from other funds	507,821	640	508,461
Other assets	<u>8,234</u>	<u>-</u>	<u>8,234</u>
TOTAL ASSETS	<u>\$ 5,552,906</u>	<u>\$ 701,114</u>	<u>\$ 6,254,020</u>
LIABILITIES			
Accounts payable	\$ 145,232	\$ 6,955	\$ 152,187
Accrued liabilities	48,267	-	48,267
Tax refunds payable	233,019	-	233,019
Due to other funds	-	226,726	226,726
Due to school district	2,562,817	-	2,562,817
Due to other governments	554	-	554
Other liabilities	<u>9,298</u>	<u>-</u>	<u>9,298</u>
TOTAL LIABILITIES	2,999,187	233,681	3,232,868
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	552,490	-	552,490
FUND BALANCES			
Nonspendable	8,234	51,420	59,654
Restricted	-	490,069	490,069
Committed	417,808	-	417,808
Assigned	684,003	-	684,003
Unassigned	<u>891,184</u>	<u>(74,056)</u>	<u>817,128</u>
TOTAL FUND BALANCES	<u>2,001,229</u>	<u>467,433</u>	<u>2,468,662</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 5,552,906</u>	<u>\$ 701,114</u>	<u>\$ 6,254,020</u>

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, 2018

Total governmental fund balances	\$ 2,468,662
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	7,511,038
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	500,392
• 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.	(6,390,305)
• Other	<u>914,013</u>
Net position of governmental activities	<u><u>\$ 5,003,800</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, 2018

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 3,565,000	\$ -	\$ 3,565,000
Penalties, interest, and other taxes	100,054	143	100,197
Charges for services	516,397	141,934	658,331
Intergovernmental	282,790	25,738	308,528
Licenses and permits	795,870	-	795,870
Investment income	5,064	2,608	7,672
Miscellaneous	<u>29,276</u>	<u>236,173</u>	<u>265,449</u>
Total Revenues	5,294,451	406,596	5,701,047
Expenditures:			
Current:			
General government	1,472,752	24,190	1,496,942
Public safety	1,884,481	74,189	1,958,670
Highways and streets	681,620	-	681,620
Sanitation	297,155	-	297,155
Health	92,984	-	92,984
Welfare	31,630	-	31,630
Culture and recreation	341,988	15,139	357,127
Conservation	1,610	-	1,610
Economic development	2,900	-	2,900
Debt service	230,232	-	230,232
Capital outlay	<u>762,315</u>	<u>171,264</u>	<u>933,579</u>
Total Expenditures	<u>5,799,667</u>	<u>284,782</u>	<u>6,084,449</u>
Excess (deficiency) of revenues over expenditures	(505,216)	121,814	(383,402)
Other Financing Sources (Uses):			
Issuance of bonds	649,637	-	649,637
Issuance of capital lease	121,895	-	121,895
Transfers in	262,209	-	262,209
Transfers out	<u>(35,210)</u>	<u>(208,000)</u>	<u>(243,210)</u>
Total Other Financing Sources (Uses)	<u>998,531</u>	<u>(208,000)</u>	<u>790,531</u>
Change in fund balance	493,315	(86,186)	407,129
Fund Equity, at Beginning of Year	<u>1,507,914</u>	<u>553,619</u>	<u>2,061,533</u>
Fund Equity, at End of Year	<u>\$ 2,001,229</u>	<u>\$ 467,433</u>	<u>\$ 2,468,662</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, 2018

Net changes in fund balances - total governmental funds	\$ 407,129																					
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay</td> <td style="text-align: right;">531,147</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(387,962)</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 border="0" style="margin-left: 40px;"> <tr> <td>Issuance of debt</td> <td style="text-align: right;">(649,637)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">114,992</td> </tr> <tr> <td>Issuance of lease</td> <td style="text-align: right;">(121,895)</td> </tr> <tr> <td>Repayment of lease payable</td> <td style="text-align: right;">90,767</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 border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">32,352</td> </tr> </table> • Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: <table border="0" style="margin-left: 40px;"> <tr> <td>Net pension liability and related deferred outflows and inflows of resources</td> <td style="text-align: right;">(49,746)</td> </tr> <tr> <td>Net OPEB liability and related deferred outflows and inflows of resources</td> <td style="text-align: right;">(26,784)</td> </tr> <tr> <td>Other</td> <td style="text-align: right;">12,161</td> </tr> </table> • Other differences.		Capital outlay	531,147	Depreciation	(387,962)	Issuance of debt	(649,637)	Repayments of debt	114,992	Issuance of lease	(121,895)	Repayment of lease payable	90,767		32,352	Net pension liability and related deferred outflows and inflows of resources	(49,746)	Net OPEB liability and related deferred outflows and inflows of resources	(26,784)	Other	12,161	<u>337,200</u>
Capital outlay	531,147																					
Depreciation	(387,962)																					
Issuance of debt	(649,637)																					
Repayments of debt	114,992																					
Issuance of lease	(121,895)																					
Repayment of lease payable	90,767																					
	32,352																					
Net pension liability and related deferred outflows and inflows of resources	(49,746)																					
Net OPEB liability and related deferred outflows and inflows of resources	(26,784)																					
Other	12,161																					
Change in net position of governmental activities	\$ <u>289,724</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, 2018

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget Positive (<u>Negative</u>)
Revenues and other sources:				
Property taxes	\$ 3,705,893	\$ 3,705,893	\$ 3,705,893	\$ -
Interest, penalties, and other taxes	93,088	93,088	100,054	6,966
Charges for services	519,737	519,737	516,397	(3,340)
Intergovernmental	387,229	387,229	282,790	(104,439)
Licenses and permits	709,706	709,706	795,870	86,164
Investment income	2,000	2,000	8,895	6,895
Miscellaneous	3,000	3,000	20,381	17,381
Transfers in	30,760	30,760	356,714	325,954
Use of fund balance	328,000	328,000	328,000	-
Other sources	<u>649,637</u>	<u>649,637</u>	<u>649,637</u>	<u>-</u>
Total Revenues	6,429,050	6,429,050	6,764,631	335,581
Expenditures and other uses:				
General government	1,439,056	1,439,056	1,467,559	(28,503)
Public safety	1,926,645	1,926,645	1,884,481	42,164
Highways and streets	616,679	616,679	557,245	59,434
Sanitation	294,474	294,474	297,155	(2,681)
Health	102,452	102,452	92,984	9,468
Welfare	38,084	38,084	31,630	6,454
Culture and recreation	348,105	348,105	344,988	3,117
Conservation	3,399	3,399	1,610	1,789
Economic development	2,901	2,901	2,900	1
Debt service	267,408	267,408	265,442	1,966
Capital outlay	1,264,847	1,264,847	1,317,812	(52,965)
Transfers out	<u>125,000</u>	<u>125,000</u>	<u>125,000</u>	<u>-</u>
Total Expenditures	<u>6,429,050</u>	<u>6,429,050</u>	<u>6,388,806</u>	<u>40,244</u>
Excess of revenues and other sources over expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 375,825</u>	<u>\$ 375,825</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, 2018

	Business-Type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Total
ASSETS			
Current:			
Cash and short-term investments	\$ 445,980	\$ 581,983	\$ 1,027,963
Restricted cash	677,072	203,481	880,553
User fees, net of allowance for uncollectibles	97,606	122,623	220,229
Intergovernmental receivables	-	1,800	1,800
Other assets	25,103	1,087	26,190
Total current assets	1,245,761	910,974	2,156,735
Noncurrent:			
Intergovernmental	-	35,430	35,430
Capital assets:			
Land and construction in progress	9,894	50,800	60,694
Other capital assets, net of accumulated depreciation	1,511,844	2,205,837	3,717,681
Total noncurrent assets	1,521,738	2,292,067	3,813,805
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	38,401	30,723	69,124
Related to OPEB	3,030	2,424	5,454
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2,808,930	3,236,188	6,045,118
LIABILITIES			
Current:			
Accounts payable	2,602	2,117	4,719
Accrued liabilities	4,198	11,821	16,019
Due to other funds	17,827	263,908	281,735
Current portion of long-term liabilities:			
Bonds payable	46,307	67,628	113,935
Other	1,730	1,730	3,460
Total current liabilities	72,664	347,204	419,868
Noncurrent:			
Bonds payable, net of current portion	559,931	704,819	1,264,750
Net pension liability	209,144	167,317	376,461
Net OPEB liability	33,839	27,068	60,907
Other, net of current portion	15,571	15,571	31,142
Total noncurrent liabilities	818,485	914,775	1,733,260
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	11,840	9,471	21,311
Related to OPEB	72	58	130
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	903,061	1,271,508	2,174,569
NET POSITION			
Net investment in capital assets	915,500	1,259,525	2,175,025
Unrestricted	990,369	705,155	1,695,524
TOTAL NET POSITION	\$ 1,905,869	\$ 1,964,680	\$ 3,870,549

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, 2018

	Business-Type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Total
Operating Revenues:			
Charges for services	\$ 497,960	\$ 538,475	\$ 1,036,435
Total Operating Revenues	497,960	538,475	1,036,435
Operating Expenses:			
Operating expenses	346,481	402,842	749,323
Depreciation	142,909	121,464	264,373
Total Operating Expenses	489,390	524,306	1,013,696
Operating Income	8,570	14,169	22,739
Nonoperating Revenues (Expenses):			
Intergovernmental revenue	-	45,506	45,506
Investment income	10,720	6,151	16,871
Interest expense	(19,052)	(29,619)	(48,671)
Total Nonoperating Revenues (Expenses), Net	(8,332)	22,038	13,706
Income Before Transfers	238	36,207	36,445
Transfers:			
Transfers in	-	35,210	35,210
Transfers out	(32,765)	(21,444)	(54,209)
Change in Net Position	(32,527)	49,973	17,446
Net Position at Beginning of Year, as restated	1,938,396	1,914,707	3,853,103
Net Position at End of Year	\$ 1,905,869	\$ 1,964,680	\$ 3,870,549

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, 2018

	Business-Type Activities Enterprise Funds		
	Water Fund	Wastewater Fund	Total
<u>Cash Flows From Operating Activities:</u>			
Receipts from customers and users	\$ 489,074	\$ 529,065	\$ 1,018,139
Payments to vendors and employees	<u>(313,762)</u>	<u>(418,935)</u>	<u>(732,697)</u>
Net Cash Provided By Operating Activities	175,312	110,130	285,442
<u>Cash Flows From Noncapital Financing Activities:</u>			
Transfers in (out)	(32,765)	13,766	(18,999)
Interfund borrowing	6,482	75,554	82,036
Intergovernmental	<u>-</u>	<u>1,664</u>	<u>1,664</u>
Net Cash Provided By (Used For) Noncapital Financing Activities	(26,283)	90,984	64,701
<u>Cash Flows From Capital and Related Financing Activities:</u>			
Principal payments on bonds	(71,799)	(80,798)	(152,597)
Acquisition and construction of capital assets	(18,954)	(87,559)	(106,513)
Interest expense	(19,052)	(29,619)	(48,671)
Intergovernmental grants/loans	<u>-</u>	<u>45,642</u>	<u>45,642</u>
Net Cash (Used For) Capital and Related Financing Activities	(109,805)	(152,334)	(262,139)
<u>Cash Flows From Investing Activities:</u>			
Investment income	10,720	6,151	16,871
Reclass of restricted cash	<u>(7,900)</u>	<u>(2,374)</u>	<u>(10,274)</u>
Net Cash Provided By Investing Activities	2,820	3,777	6,597
Net Change in Cash and Short-Term Investments	42,044	52,557	94,601
Cash and Short-Term Investments, Beginning of Year	<u>403,936</u>	<u>529,426</u>	<u>933,362</u>
Cash and Short-Term Investments, End of Year	<u>\$ 445,980</u>	<u>\$ 581,983</u>	<u>\$ 1,027,963</u>
<u>Reconciliation of Operating Income to Net Cash Provided by (Used For) Operating Activities:</u>			
Operating income (loss)	\$ 8,570	\$ 14,169	\$ 22,739
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	142,909	121,464	264,373
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees	(8,886)	(9,410)	(18,296)
Inventory	11,041	52	11,093
Deferred outflows - related to pensions	(9,879)	(8,190)	(18,069)
Deferred outflows - related to OPEB	(2,037)	(1,640)	(3,677)
Accounts payable	(318)	(35,895)	(36,213)
Accrued liabilities	(325)	(2,799)	(3,124)
Other liabilities	(3,933)	(325)	(4,258)
Net pension liability	31,301	26,820	58,121
Net OPEB liability	6,816	5,722	12,538
Deferred inflows - related to pensions	299	355	654
Deferred inflows - related to OPEB	<u>(246)</u>	<u>(193)</u>	<u>(439)</u>
Net Cash Provided By Operating Activities	<u>\$ 175,312</u>	<u>\$ 110,130</u>	<u>\$ 285,442</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, 2018

	<u>Private Purpose Trust Funds</u>
<u>ASSETS</u>	
Cash and short-term investments	\$ <u>444,432</u>
Total Assets	<u>444,432</u>
 <u>NET POSITION</u>	
Total net position held in trust	\$ <u><u>444,432</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, 2018

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions	\$ 210,499
Investment income	<u>5,089</u>
Total additions	215,588
Deductions:	
Other	<u>4,000</u>
Total deductions	<u>4,000</u>
Net increase	211,588
Net position:	
Beginning of year	<u>232,844</u>
End of year	<u><u>\$ 444,432</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 2018, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment 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, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *general fund* is the 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)	\$ 5,294,451	\$ 5,799,667
Other financing sources/uses (GAAP basis)	<u>1,033,741</u>	<u>35,210</u>
Subtotal (GAAP Basis)	6,328,192	5,834,877
Adjust tax revenue to accrual basis	140,893	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(133,179)
Add end-of-year appropriation carryforwards from expenditures	-	120,166
Recognize use of fund balance as funding source	328,000	-
Eliminate capital reserve activity	89,441	125,000
Other timing differences	<u>(121,895)</u>	<u>441,942</u>
Budgetary basis	<u>\$ 6,764,631</u>	<u>\$ 6,388,806</u>

D. Deficit Fund Equity

Certain individual funds reflected deficit balances as of December 31, 2018.

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, 2018, none of the Town's bank balance of \$5,988,189 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, 2018.

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>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>
Mutual funds	\$ <u>74,074</u>	N/A	\$ <u>74,074</u>
Total investments	\$ <u><u>74,074</u></u>		\$ <u><u>74,074</u></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, 2018.

<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	\$ 74,074
	\$ 74,074

6. Property 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 \$52,098.

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

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate taxes	\$ 766,929	\$ -	\$ 766,929
Tax liens	242,220	(52,098)	190,122
Other	4,243	-	4,243
Total property taxes	<u>\$ 1,013,392</u>	<u>\$ (52,098)</u>	<u>\$ 961,294</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, 2018 consist of the following:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Water	\$ 108,100	\$ (10,494)	\$ 97,606
Wastewater	135,761	(13,138)	122,623
Total	<u>\$ 243,861</u>	<u>\$ (23,632)</u>	<u>\$ 220,229</u>

8. Intergovernmental Receivables

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

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, 2018 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 507,821	\$ -
Nonmajor Funds:		
Special Revenue Funds		
Transfer Station	640	-
Capital Project Funds	<u>-</u>	<u>226,726</u>
Subtotal Nonmajor Funds	640	226,726
Business-Type Activities:		
Enterprise Funds		
Water Fund	-	17,827
Wastewater Fund	<u>-</u>	<u>263,908</u>
Subtotal Enterprise Funds	<u>-</u>	<u>281,735</u>
Total	<u>\$ 508,461</u>	<u>\$ 508,461</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	\$ 262,209	\$ 35,210
Nonmajor Funds:		
Special Revenue Funds:		
Ambulance	-	30,000
Transfer Station	<u>-</u>	<u>178,000</u>
Subtotal Nonmajor Funds	-	208,000
<u>Business-Type Funds:</u>		
Water Fund	-	32,765
Wastewater Fund	<u>35,210</u>	<u>21,444</u>
Subtotal Business-Type Funds:	<u>35,210</u>	<u>54,209</u>
Grand Total	<u>\$ 297,419</u>	<u>\$ 297,419</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, 2018 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,717,447	\$ 245,524	\$ -	\$ 1,962,971
Machinery, equipment, and furnishings	174,087	-	(61,950)	112,137
Vehicles	3,556,786	47,814	-	3,604,600
Infrastructure	<u>7,172,350</u>	<u>-</u>	<u>-</u>	<u>7,172,350</u>
Total capital assets, being depreciated	12,620,670	293,338	(61,950)	12,852,058
Less accumulated depreciation for:				
Buildings and improvements	(427,880)	(38,739)	-	(466,619)
Machinery, equipment, and furnishings	(60,519)	(9,588)	-	(70,107)
Vehicles	(1,799,680)	(192,473)	40,438	(1,951,715)
Infrastructure	<u>(3,744,839)</u>	<u>(147,162)</u>	<u>-</u>	<u>(3,892,001)</u>
Total accumulated depreciation	<u>(6,032,918)</u>	<u>(387,962)</u>	<u>40,438</u>	<u>(6,380,442)</u>
Total capital assets, being depreciated, net	6,587,752	(94,624)	(21,512)	6,471,616
Capital assets, not being depreciated:				
Land	780,101	-	-	780,101
Construction in progress	<u>-</u>	<u>259,321</u>	<u>-</u>	<u>259,321</u>
Total capital assets, not being depreciated	<u>780,101</u>	<u>259,321</u>	<u>-</u>	<u>1,039,422</u>
Governmental activities capital assets, net	<u>\$ 7,367,853</u>	<u>\$ 164,697</u>	<u>\$ (21,512)</u>	<u>\$ 7,511,038</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,841,560	\$ -	\$ -	\$ 2,841,560
Machinery, equipment, and furnishings	2,011,233	37,908	(25,000)	2,024,141
Infrastructure	<u>5,102,345</u>	<u>334,766</u>	<u>-</u>	<u>5,437,111</u>
Total capital assets, being depreciated	9,955,138	372,674	(25,000)	10,302,812
Less accumulated depreciation for:				
Buildings and improvements	(2,004,762)	(23,255)	-	(2,028,017)
Machinery, equipment, and furnishings	(1,728,316)	(64,131)	25,000	(1,767,447)
Infrastructure	<u>(2,612,680)</u>	<u>(176,987)</u>	<u>-</u>	<u>(2,789,667)</u>
Total accumulated depreciation	<u>(6,345,758)</u>	<u>(264,373)</u>	<u>25,000</u>	<u>(6,585,131)</u>
Total capital assets, being depreciated, net	3,609,380	108,301	-	3,717,681
Capital assets, not being depreciated:				
Land	9,894	-	-	9,894
Construction in progress	<u>316,961</u>	<u>68,605</u>	<u>(334,766)</u>	<u>50,800</u>
Total capital assets, not being depreciated	<u>326,855</u>	<u>68,605</u>	<u>(334,766)</u>	<u>60,694</u>
Business-type activities capital assets, net	<u>\$ 3,936,235</u>	<u>\$ 176,906</u>	<u>\$ (334,766)</u>	<u>\$ 3,778,375</u>

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

Governmental Activities:	
General government	\$ 36,954
Public safety	125,178
Highways & streets	206,399
Culture and recreation	<u>19,431</u>
Total depreciation expense - governmental activities	\$ <u>387,962</u>
Business-Type Activities:	
Water	\$ 142,909
Wastewater	<u>121,464</u>
Total depreciation expense - business-type activities	\$ <u>264,373</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 and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

12. Accounts Payable and Accrued Liabilities

Accounts payable and accrued expenses represent 2018 expenditures paid in 2019.

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 2024. Future minimum lease payments under the capital leases consisted of the following as of December 31, 2018:

	<u>Fiscal Year</u>	<u>Capital Leases</u>
	2019	\$ 91,001
	2020	91,002
	2021	91,202
	2022	20,242
	2023	20,242
	Thereafter	<u>40,000</u>
Total payments		353,689
Less amounts representing interest		<u>28,867</u>
Present Value of Minimum Lease Payments		<u>\$ 324,822</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>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/18</u>
Library project	06/30/22	2.12%	\$ 355,200
Central Square project	10/15/27	2.54%	245,473
Town Hall Building	01/18/29	3.75%	<u>649,637</u>
Total Governmental Activities			<u>\$ 1,250,310</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/18</u>
Water			
SRF Drinking Water	05/01/31	1.10%	\$ 443,252
Central Square	10/15/27	2.54%	162,986
Sewer			
Sewerage treatment plant upgrades	02/15/39	3.55%	305,400
Wastewater plant- chlorinate	08/15/33	3.11%	124,100
Central Square	10/15/27	2.54%	81,518
Waste Water Dewatering Treatment Facility	05/31/24	2.55%	<u>261,429</u>
Total Business-Type Activities			<u>\$ 1,378,685</u>

B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 116,942	\$ 13,741	\$ 130,683
2020	170,709	35,527	206,236
2021	172,756	30,906	203,662
2022	174,889	26,202	201,091
2023	88,298	21,419	109,717
2024 - 2028	450,476	60,591	511,067
2029 - 2033	<u>76,240</u>	<u>2,859</u>	<u>79,099</u>
Total	<u>\$ 1,250,310</u>	<u>\$ 191,245</u>	<u>\$ 1,441,555</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, 2018.

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 113,935	\$ 46,326	\$ 160,261
2020	115,910	43,259	159,169
2021	117,313	39,886	157,199
2022	119,643	36,415	156,058
2023	120,602	32,900	153,502
2024 - 2028	432,240	114,986	547,226
2029 - 2033	250,042	52,168	302,210
2034 - 2041	99,000	16,525	115,525
Thereafter	<u>10,000</u>	<u>250</u>	<u>10,250</u>
Total	<u>\$ 1,378,685</u>	<u>\$ 382,715</u>	<u>\$ 1,761,400</u>

C. Changes in General Long-Term Liabilities

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

	Total Balance 1/1/18	Additions	Reductions	Total Balance 12/31/18	Less Current Portion	Equals Long-Term Portion 12/31/18
<u>Governmental Activities</u>						
Bonds payable	\$ 715,665	\$ 649,637	\$ (114,992)	\$ 1,250,310	\$ (116,942)	\$ 1,133,368
Net pension liability	3,802,229	194,262	-	3,996,491	-	3,996,491
Net OPEB liability	563,278	83,293	-	646,571	-	646,571
Other:						
Capital leases	293,694	121,895	(90,767)	324,822	(80,865)	243,957
Compensated absences	184,272	-	(12,161)	172,111	(17,211)	154,900
Subtotal other	477,966	121,895	(102,928)	496,933	(98,076)	398,857
Totals	\$ 5,559,138	\$ 1,049,087	\$ (217,920)	\$ 6,390,305	\$ (215,018)	\$ 6,175,287
<u>Business-Type Activities</u>						
Bonds and notes payable	\$ 1,531,282	\$ -	\$ (152,597)	\$ 1,378,685	\$ (113,935)	\$ 1,264,750
Net pension liability	318,340	58,121	-	376,461	-	376,461
Net OPEB liability	52,076	8,831	-	60,907	-	60,907
Other:						
Compensated absences	35,252	-	(650)	34,602	(3,460)	31,142
Totals	\$ 1,936,950	\$ 66,952	\$ (153,247)	\$ 1,850,655	\$ (117,395)	\$ 1,733,260

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. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes. *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, 2018:

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Prepaid expenditures	\$ 8,234	\$ -	\$ 8,234
Nonexpendable permanent funds	<u>-</u>	<u>51,420</u>	<u>51,420</u>
Total Nonexpendable	8,234	51,420	59,654
Restricted			
Capital projects	-	40,529	40,529
Special revenue funds	-	445,495	445,495
Expendable permanent funds	<u>-</u>	<u>4,045</u>	<u>4,045</u>
Total Restricted	-	490,069	490,069
Committed			
Capital reserve funds	<u>417,808</u>	<u>-</u>	<u>417,808</u>
Total Committed	417,808	-	417,808
Assigned			
Encumbrances	<u>684,003</u>	<u>-</u>	<u>684,003</u>
Total Assigned	684,003	-	684,003
Unassigned			
Unassigned	891,184	-	-
Capital projects	<u>-</u>	<u>(74,056)</u>	<u>817,128</u>
Total Unassigned	<u>891,184</u>	<u>(74,056)</u>	<u>817,128</u>
Total Fund Balance	<u>\$ 2,001,229</u>	<u>\$ 467,433</u>	<u>\$ 2,468,662</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	\$ 891,184
Unavailable revenue	552,490
Allowance for doubtful accounts	(52,098)
Other	<u>22,487</u>
Tax Rate Setting Balance	<u>\$ 1,414,063</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 1 benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

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

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

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, for which the contribution rates are 7% for employees and teachers, 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 11.08% to 27.79% of covered compensation. The Town's contribution to NHRS for the year ended December 31, 2018 was \$373,491, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

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

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

At December 31, 2018, the Town reported a liability of \$4,372,952 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Town's proportion was .09081510 percent.

For the year ended December 31, 2018, the Town recognized pension expense of \$465,003. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 34,904	\$ 35,408
Changes of assumptions	302,628	-
Net difference between projected and actual earnings on pension plan investments	-	101,193
Changes in proportion and differences between contributions and proportionate share of contributions	283,619	110,934
Contributions subsequent to the measurement date	<u>181,798</u>	<u>-</u>
Total	<u>\$ 802,949</u>	<u>\$ 247,535</u>

\$181,798 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 211,752
2020	177,550
2021	(50,350)
2022	<u>34,664</u>
Total	<u>\$ 373,616</u>

F. Actuarial Assumptions

The total pension liability in the June 30, 2017 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
Wage inflation	3.25 percent
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, 2017 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	6.00%
Total international equities	20.00	
Core Bonds	4.50	0.50%
Short Duration	2.50	-0.25%
Global Multi-Sector Fixed Income	11.00	1.80%
Absolute Return Fixed Income	7.00	1.14%
Total fixed income	25.00	
Private equity	5.00	6.25%
Private debt	5.00	4.25%
Opportunistic	5.00	2.15%
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%)
\$ 5,818,220	\$ 4,372,952	\$ 3,161,734

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 (GASB 75)

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods

and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

A. Town OPEB Plan

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

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

Plan Membership

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

Inactive employees or beneficiaries	
currently receiving benefit payments	5
Active employees	<u>36</u>
Total	<u><u>41</u></u>

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the alternative method as of December 31, 2018, in accordance with the parameters of GASB Statement No. 75. Alternative measurement method valuations of an ongoing plan are allowed for a sole employer with fewer than one hundred total plan members and involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future, similar to broad measurement steps as would be used by an actuarial valuation for plans whose members exceed one hundred. Examples include

assumptions about future employment, mortality, and the healthcare cost trend. The alternative measurement method used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Salary increases	3 percent average, including inflation
Discount rate	3 percent
Healthcare cost trend rates	4.6 percent for 2018, fluctuating to an ultimate rate of 4.70% as of 2027 and later years
Retirees' share of benefit-related costs	100 percent

The discount rate was based on the 20 year tax-exempt municipal bond as of December 31, 2018.

Mortality rates were based on the RP2000 Mortality Table for Males and Females Projected 18 years.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study as of December 31, 2018.

Discount Rate

The discount rate used to measure the total OPEB liability was 3%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Changes in the Total OPEB Liability

	Total OPEB <u>Liability</u>
Balances, beginning of year	\$ 334,416
Changes for the year:	
Service cost	54,540
Interest	27,795
Changes in assumptions or other inputs	<u>(184,789)</u>
Net Changes	<u>(102,454)</u>
Balances, end of year	\$ <u><u>231,962</u></u>

Changes of assumptions and other inputs reflect a change in the discount rate from 4.00 percent in 2017 to 3.00 percent in 2018. All other assumptions were the same as those used in the previous measurement.

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

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

1% Decrease (2%)	Current Discount Rate (3%)	1% Increase (4%)
\$ 234,513	\$ 231,962	\$ 229,481

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

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

1% Decrease (3.60%)	Current Healthcare Cost Trend Rates (4.60%)	1% Increase (5.60%)
\$ 228,378	\$ 231,962	\$ 235,580

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

For the year ended December 31, 2018, the Town recognized an OPEB expense of \$102,454. At December 31, the Town did not have any deferred outflows or inflows of resources related to the Total OPEB liability.

B. New Hampshire Retirement System Medical Subsidy Plan Description

General Information about the OPEB Plan

Plan Description

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

Group I Teachers, Group I Political Subdivision Employees and Group I State Employees. Collectively, they are referred to as the OPEB Plan.

Benefits Provided

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

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

Actuarial Assumptions and Other Inputs

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

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent experience study.

Net OPEB Liability, Expense, and Deferred Outflows and Inflows

The Town's proportionate share of the net NHRS Medical Subsidy (net OPEB liability) as of the measurement date of June 30, 2018 was \$475,516. For the year ended December 31, 2018, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$182,157. At December 31, 2018, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,791	\$ -
Changes in proportion	38,997	-
Net difference between projected and actual OPEB investment earnings	-	1,511
Contributions subsequent to the measurement date	<u>21,556</u>	<u>-</u>
Total	<u>\$ 63,344</u>	<u>\$ 1,511</u>

\$21,556 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ending December 31, 2019.

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

<u>Year Ended June 30:</u>	
2019	\$ 41,316
2020	(471)
2021	(471)
2022	<u>(97)</u>
Total	<u>\$ 40,277</u>

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

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

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 494,918	\$ 475,516	\$ 421,163

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

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

	Total/Net OPEB Liability	Total Deferred Outflows of Resources	Total Deferred Inflows of Resources
Town OPEB Plan	\$ 231,962	\$ -	\$ -
Proportionate share of NHRS Medical Subsidy Plan	<u>475,516</u>	<u>63,344</u>	<u>1,511</u>
Total	<u>\$ 707,478</u>	<u>\$ 63,344</u>	<u>\$ 1,511</u>

21. Commitments and Contingencies

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

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

22. Beginning Net Position Restatement

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

Government-Wide Financial Statements:

		<u>Business-Type Activities</u>		
	<u>Governmental Activities</u>	<u>Water Fund</u>	<u>Sewer Fund</u>	<u>Total</u>
As previously reported	\$ 5,041,818	\$ 1,943,738	\$ 1,914,514	\$ 3,858,252
Implementation of GASB 75 OPEB	<u>(327,742)</u>	<u>(5,342)</u>	<u>193</u>	<u>(5,149)</u>
As restated	<u>\$ 4,714,076</u>	<u>\$ 1,938,396</u>	<u>\$ 1,914,707</u>	<u>\$ 3,853,103</u>

TOWN OF BRISTOL, NEW HAMPSHIRE
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)
DECEMBER 31, 2018
(Unaudited)

New Hampshire Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>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>
December 31, 2018	June 30, 2018	0.09081510%	\$4,372,952	\$ 1,833,863	238.46%	64.73%
December 31, 2017	June 30, 2017	0.08378561%	\$4,120,569	\$ 1,738,206	237.06%	62.66%
December 31, 2016	June 30, 2016	0.08727626%	\$4,640,998	\$ 1,643,663	282.36%	58.30%
December 31, 2015	June 30, 2015	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 Audi See Independent Auditors' Report.

TOWN OF BRISTOL, NEW HAMPSHIRE
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)
DECEMBER 31, 2018
(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</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, 2018	June 30, 2018	\$ 373,491	\$ 373,491	\$ -	\$ 1,973,785	18.92%
December 31, 2017	June 30, 2017	\$ 352,952	\$ 352,952	\$ -	\$ 1,917,358	18.41%
December 31, 2016	June 30, 2016	\$ 279,557	\$ 279,557	\$ -	\$ 1,572,353	17.78%
December 31, 2015	June 30, 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 PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY (GASB 75)
DECEMBER 31, 2018
(Unaudited)

New Hampshire Retirement System Medical Subsidy

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Net OPEB Liability</u>
December 31, 2018	June 30, 2018	0.10385916%	\$475,516	\$ 1,833,863	25.93%	7.53%
December 31, 2017	June 30, 2017	0.06378766%	\$291,659	\$ 1,738,206	16.78%	7.91%

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
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

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

(Unaudited)

Changes in Total OPEB Liability

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 54,540
Interest on unfunded liability - time value of money	27,795
Changes of assumptions	<u>(184,789)</u>
Net change in total OPEB liability	(102,454)
Total OPEB liability - beginning	<u>334,416</u>
Total OPEB liability - ending	<u><u>\$ 231,962</u></u>

Does not include New Hampshire Retirement System Medical Subsidy.

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

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