

TOWN OF AMHERST, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended June 30, 2017

Town of Amherst, New Hampshire

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Amherst, New Hampshire

Additional Offices:
Andover, MA
Greenfield, MA
Manchester, NH
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 Amherst, New Hampshire, as of June 30, 2017, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Amherst, New Hampshire, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and the Pension and OPEB schedules appearing on pages 48 to 50 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

January 16, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Amherst, we offer readers this narrative overview and analysis of the financial activities of the Town of Amherst for the year ended June 30, 2017.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position presents information on all assets, liabilities, 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, economic development, and culture and recreation. The business-type activities include the Baboosic Lake septic 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. The proprietary fund category includes enterprise funds.

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 the Baboosic Lake septic operations.

Proprietary funds provide the same type of information as the business-type activities reported in the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the Baboosic Lake septic operations, which is considered to be a major fund.

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 more 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 \$26,982,335 (i.e., net position), a change of \$2,304,587 in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$10,431,965, a change of \$2,004,092 in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$6,137,706, a change of \$918,712 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Current and other assets	\$ 33,207	\$ 30,982	\$ 92	\$ 101	\$ 33,299	\$ 31,083
Capital assets	<u>29,485</u>	<u>27,608</u>	<u>670</u>	<u>773</u>	<u>30,155</u>	<u>28,381</u>
Total assets	62,692	58,590	762	874	63,454	59,464
Deferred outflows	1,477	301	-	-	1,477	301
Long-term liabilities outstanding	13,637	10,911	220	252	13,857	11,163
Other liabilities	<u>2,463</u>	<u>2,377</u>	<u>36</u>	<u>37</u>	<u>2,499</u>	<u>2,414</u>
Total liabilities	16,100	13,288	256	289	16,356	13,577
Deferred inflows	21,593	21,510	-	-	21,593	21,510
Net position:						
Net investment in capital assets	19,217	17,761	418	489	19,635	18,250
Restricted	3,208	3,159	-	-	3,208	3,159
Unrestricted	<u>4,051</u>	<u>3,173</u>	<u>88</u>	<u>96</u>	<u>4,139</u>	<u>3,269</u>
Total net position	<u>\$ 26,476</u>	<u>\$ 24,093</u>	<u>\$ 506</u>	<u>\$ 585</u>	<u>\$ 26,982</u>	<u>\$ 24,678</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$26,982,335, a change of \$2,304,587 from the prior year.

The largest portion of net position \$19,635,231 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$3,207,793 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$4,139,311 may be used to meet the government's ongoing obligations to citizens and creditors.

	CHANGES IN NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	\$ 1,087	\$ 986	\$ 64	\$ 77	\$ 1,151	\$ 1,063
Operating grants	418	985	-	-	418	985
Capital grants and contributions	-	-	3	3	3	3
General revenues:						
Property taxes	8,297	8,034	-	-	8,297	8,034
Penalties and interest on taxes	273	306	-	-	273	306
Licenses and permits	3,086	2,965	-	-	3,086	2,965
Investment income	135	86	-	-	135	86
Intergovernmental	584	543	-	-	584	543
Other	319	186	-	-	319	186
Total revenues	<u>14,199</u>	<u>14,091</u>	<u>67</u>	<u>80</u>	<u>14,266</u>	<u>14,171</u>
Expenses:						
General government	2,543	1,984	-	-	2,543	1,984
Public safety	3,393	3,703	-	-	3,393	3,703
Highways and streets	2,419	2,266	-	-	2,419	2,266
Sanitation	604	609	-	-	604	609
Health and welfare	53	83	-	-	53	83
Culture and recreation	2,043	1,748	-	-	2,043	1,748
Conservation	14	8	-	-	14	8
Capital outlay	-	68	-	-	-	68
Interest on long-term debt	227	181	-	-	227	181
Baboosic lake septic fund	-	-	146	136	146	136
Miscellaneous	520	-	-	-	520	-
Total expenses	<u>11,816</u>	<u>10,650</u>	<u>146</u>	<u>136</u>	<u>11,962</u>	<u>10,786</u>
Change in net position	2,383	3,441	(79)	(56)	2,304	3,385
Net position - beginning of year	<u>24,093</u>	<u>20,652</u>	<u>585</u>	<u>641</u>	<u>24,678</u>	<u>21,293</u>
Net position - end of year	<u>\$ 26,476</u>	<u>\$ 24,093</u>	<u>\$ 506</u>	<u>\$ 585</u>	<u>\$ 26,982</u>	<u>\$ 24,678</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$2,383,249. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 628,934
Road construction fund - accrual basis	(319,336)
Non-major funds - accrual basis	449,901
Principal debt service in excess of depreciation expense	186,122
General fund capital asset additions	1,771,867
Change in long-term liabilities	<u>(334,239)</u>
Total	<u>\$ 2,383,249</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$(78,662). Key elements of this change are as follows:

Baboosic Lake septic operations	\$ <u>(78,662)</u>
Total	<u>\$ (78,662)</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$10,431,965, a change of \$2,004,092 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 628,934
Road construction fund operating results	1,091,825
Non-major funds operating results	<u>283,333</u>
Total	<u>\$ 2,004,092</u>

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$6,137,706, while total fund balance was \$7,733,710. As a measure of the general fund's liquidity, it may be useful to

compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 6,137,706	\$ 5,218,994	\$ 918,712	48.6%
Total fund balance	\$ 7,733,710	\$ 7,104,776	\$ 628,934	61.3%

The total fund balance of the general fund changed by \$628,934 during the current year. Key factors in this change are as follows:

State and local revenues surplus	\$ 339,501
Budgetary appropriations turnbacks by departments	343,225
Tax collections excess compared to budget	(225,563)
Current year encumbrances to be spent in the subsequent year in excess of prior year encumbrances to be spent in the current year	532,676
Change in capital reserve fund balance	(78,069)
Change in land use change tax fund balance	(42,785)
Use of fund balance	(100,000)
Other timing issues	(140,051)
Total	\$ 628,934

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

	<u>06/30/17</u>	<u>6/30/16</u>	<u>Change</u>
Capital reserve fund	\$ 900,462	\$ 978,531	\$ (78,069)
Total	\$ 900,462	\$ 978,531	\$ (78,069)

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 \$88,339, a change of \$(7,182) in comparison to the prior year.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There was no overall change in the total appropriation, however there were certain reclassifications as a result of reserve fund transfers and special town meeting transfers. Major reasons for these amendments include:

- \$230,277 - General Government
- \$(130,894) - Public Safety

- \$(59,173) - Highways and Streets
- \$11,618 - Sanitation
- \$(16,400) - Health and Welfare
- \$20,622 - Culture and Recreation
- \$(56,000) - Debt Service

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$30,154,229 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital events during the current year included the following:

- \$1,538,474 increase in road construction and road resurfacing
- \$399,725 relating to renovation of fire station
- \$177,240 relating to the purchase of a new ambulance
- \$627,493 relating to the purchase of new dump trucks

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

Long-term debt. At the end of the current fiscal year, total debt outstanding was \$9,418,978, all of which was backed by the full faith and credit of the government.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town'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:

Town of Amherst
 Department of Finance
 2 Main Street
 P.O. Box 960
 Amherst, New Hampshire 03031

TOWN OF AMHERST, NEW HAMPSHIRE

STATEMENT OF NET POSITION

JUNE 30, 2017

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
ASSETS			
Current:			
Cash and short-term investments	\$ 18,894,258	\$ -	\$ 18,894,258
Investments	9,006,278	-	9,006,278
Receivables, net of allowance for uncollectibles:			
Taxes	5,011,227	-	5,011,227
Departmental and other	77,545	-	77,545
User fees, net of allowance for uncollectibles	106,905	19,470	126,375
Intergovernmental	137	161,290	161,427
Other assets	22,648	-	22,648
Internal balances	88,595	(88,595)	-
Noncurrent:			
Capital assets:			
Land and construction in progress	8,667,085	-	8,667,085
Other capital assets, net of accumulated depreciation	20,817,538	669,606	21,487,144
DEFERRED OUTFLOWS OF RESOURCES			
Related to pensions	<u>1,476,663</u>	<u>-</u>	<u>1,476,663</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	64,168,879	761,771	64,930,650
LIABILITIES			
Current:			
Accounts payable	535,608	142	535,750
Retainage payable	50,057	-	50,057
Accrued liabilities	120,765	3,685	124,450
Tax refunds payable	181,734	-	181,734
Due to other governments	2,321	-	2,321
Other liabilities	82,269	-	82,269
Current portion of long-term liabilities:			
Notes payable	1,296,017	31,927	1,327,944
Capital lease payable	179,311	-	179,311
Compensated absence	14,597	-	14,597
Noncurrent:			
Notes payable, net of current portion	7,871,318	219,716	8,091,034
Capital lease payable, net of current portion	424,295	-	424,295
Compensated absence, net of current portion	277,345	-	277,345
Accrued other post-employment benefits	341,397	-	341,397
Net pension liability	4,722,645	-	4,722,645
Net OPEB obligation			
DEFERRED INFLOWS OF RESOURCES			
Related to pensions	367,454	-	367,454
Deferred revenues	4,314,583	-	4,314,583
Taxes paid in advance	<u>16,911,129</u>	<u>-</u>	<u>16,911,129</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	37,692,845	255,470	37,948,315
NET POSITION			
Net investment in capital assets	19,217,269	417,962	19,635,231
Restricted for:			
Grants and other statutory restrictions	999,908	-	999,908
Permanent funds:			
Nonexpendable	1,576,451	-	1,576,451
Expendable	631,434	-	631,434
Unrestricted	<u>4,050,972</u>	<u>88,339</u>	<u>4,139,311</u>
TOTAL NET POSITION	\$ <u>26,476,034</u>	\$ <u>506,301</u>	\$ <u>26,982,335</u>

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

TOWN OF AMHERST, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities:							
General government	\$ 2,543,245	\$ 5,115	\$ -	\$ -	\$ (2,538,130)	\$ -	\$ (2,538,130)
Public safety	3,393,347	456,032	85,997	-	(2,851,318)	-	(2,851,318)
Highways and streets	2,418,929	7,900	323,496	-	(2,087,533)	-	(2,087,533)
Sanitation	603,954	85,900	-	-	(518,054)	-	(518,054)
Health and welfare	52,892	-	-	-	(52,892)	-	(52,892)
Culture and recreation	2,042,627	532,107	-	-	(1,510,520)	-	(1,510,520)
Conservation	13,925	-	8,518	-	(5,407)	-	(5,407)
Interest	226,580	-	-	-	(226,580)	-	(226,580)
Miscellaneous	519,829	-	-	-	(519,829)	-	(519,829)
Total Governmental Activities	11,815,328	1,087,054	418,011	-	(10,310,263)	-	(10,310,263)
Business-Type Activities:							
Baboosic Septic Fund	146,138	64,453	-	3,023	-	(78,662)	(78,662)
Total Business-Type Activities	146,138	64,453	-	3,023	-	(78,662)	(78,662)
Total	<u>\$ 11,961,466</u>	<u>\$ 1,151,507</u>	<u>\$ 418,011</u>	<u>\$ 3,023</u>	(10,310,263)	(78,662)	(10,388,925)
General Revenues and Contributions:							
Taxes					8,296,628	-	8,296,628
Penalties, interest and other taxes					273,308	-	273,308
Licenses and permits					3,085,829	-	3,085,829
Investment income					134,570	-	134,570
Intergovernmental					583,898	-	583,898
Miscellaneous					319,279	-	319,279
Total general revenues					<u>12,693,512</u>	<u>-</u>	<u>12,693,512</u>
Change in net position					2,383,249	(78,662)	2,304,587
Net Position:							
Beginning of year					<u>24,092,785</u>	<u>584,963</u>	<u>24,677,748</u>
End of year					<u>\$ 26,476,034</u>	<u>\$ 506,301</u>	<u>\$ 26,982,335</u>

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

TOWN OF AMHERST, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2017

	<u>General</u>	<u>Road Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS				
Cash and short-term investments	\$ 18,298,871	\$ -	\$ 595,387	\$ 18,894,258
Investments	6,680,633	-	2,325,645	9,006,278
Receivables:				
Property taxes	5,063,931	-	-	5,063,931
Departmental and other	77,545	-	-	77,545
User fees	216,734	-	-	216,734
Intergovernmental	137	-	-	137
Other assets	22,648	-	-	22,648
Due from other funds	<u>278,222</u>	<u>-</u>	<u>283,071</u>	<u>561,293</u>
TOTAL ASSETS	\$ <u>30,638,721</u>	\$ <u>-</u>	\$ <u>3,204,103</u>	\$ <u>33,842,824</u>
LIABILITIES				
Accounts payable	\$ 529,192	\$ -	\$ 6,416	\$ 535,608
Retainage payable	26,343	23,714	-	50,057
Accrued liabilities	-	-	3,020	3,020
Taxes refunds payable	181,734	-	-	181,734
Due to other funds	-	313,785	158,913	472,698
Due to other governments	2,321	-	-	2,321
Other liabilities	<u>82,269</u>	<u>-</u>	<u>-</u>	<u>82,269</u>
TOTAL LIABILITIES	821,859	337,499	168,349	1,327,707
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenues	22,083,152	-	-	22,083,152
FUND BALANCES				
Nonspendable	-	-	1,576,451	1,576,451
Restricted	-	-	1,618,216	1,618,216
Committed	900,462	-	-	900,462
Assigned	695,542	-	-	695,542
Unassigned	<u>6,137,706</u>	<u>(337,499)</u>	<u>(158,913)</u>	<u>5,641,294</u>
TOTAL FUND BALANCES	<u>7,733,710</u>	<u>(337,499)</u>	<u>3,035,754</u>	<u>10,431,965</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>30,638,721</u>	\$ <u>-</u>	\$ <u>3,204,103</u>	\$ <u>33,842,824</u>

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

TOWN OF AMHERST, NEW HAMPSHIRE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

JUNE 30, 2017

Total governmental fund balances	\$ 10,431,965
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	29,484,623
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	694,906
<ul style="list-style-type: none">• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(117,744)
<ul style="list-style-type: none">• Long-term liabilities, (net of prepaid debt service) including notes payable, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(10,404,280)
<ul style="list-style-type: none">• Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds.	<u>(3,613,436)</u>
Net position of governmental activities	<u><u>\$ 26,476,034</u></u>

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

TOWN OF AMHERST, NEW HAMPSHIRE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2017

	<u>General</u>	<u>Road Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Property taxes	\$ 8,290,530	\$ -	\$ -	\$ 8,290,530
Penalties, interest and other taxes	239,008	-	-	239,008
Licenses and permits	3,085,829	-	-	3,085,829
Intergovernmental	991,880	-	1,511	993,391
Charges for services	399,157	-	469,437	868,594
Investment income	108,879	-	130,959	239,838
Contributions	-	-	8,518	8,518
Miscellaneous	<u>68,658</u>	<u>-</u>	<u>256,908</u>	<u>325,566</u>
Total Revenues	13,183,941	-	867,333	14,051,274
Expenditures:				
Current:				
General government	2,392,728	-	30,172	2,422,900
Public safety	3,812,591	-	31,710	3,844,301
Highways and streets	2,658,493	908,175	72,119	3,638,787
Sanitation	602,605	-	-	602,605
Health and welfare	52,892	-	-	52,892
Culture and recreation	1,243,306	-	698,981	1,942,287
Conservation	13,925	-	-	13,925
Miscellaneous	519,829	-	-	519,829
Capital outlay	827	-	-	827
Debt service	<u>1,328,165</u>	<u>-</u>	<u>-</u>	<u>1,328,165</u>
Total Expenditures	<u>12,625,361</u>	<u>908,175</u>	<u>832,982</u>	<u>14,366,518</u>
Excess (deficiency) of revenues over expenditures	558,580	(908,175)	34,351	(315,244)
Other Financing Sources (Uses):				
Issuance of bonds	-	2,000,000	319,336	2,319,336
Transfers in	437,569	-	17,215	454,784
Transfers out	<u>(367,215)</u>	<u>-</u>	<u>(87,569)</u>	<u>(454,784)</u>
Total Other Financing Sources (Uses)	<u>70,354</u>	<u>2,000,000</u>	<u>248,982</u>	<u>2,319,336</u>
Changes in Fund Balance	628,934	1,091,825	283,333	2,004,092
Fund Balance, at Beginning of Year, as restated	<u>7,104,776</u>	<u>(1,429,324)</u>	<u>2,752,421</u>	<u>8,427,873</u>
Fund Balance, at End of Year	<u>\$ 7,733,710</u>	<u>\$ (337,499)</u>	<u>\$ 3,035,754</u>	<u>\$ 10,431,965</u>

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

TOWN OF AMHERST, 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 JUNE 30, 2017

Net changes in fund balances - total governmental funds	\$	2,004,092																																	
<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 style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Capital outlay</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">2,846,610</td> </tr> <tr> <td>Depreciation</td> <td></td> <td style="text-align: right;">(969,878)</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 style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Issuance of debt</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">(2,319,336)</td> </tr> <tr> <td>Repayments of debt</td> <td></td> <td style="text-align: right;">1,156,000</td> </tr> <tr> <td>Capital lease additions</td> <td></td> <td style="text-align: right;">(445,423)</td> </tr> <tr> <td>Capital lease repayments</td> <td></td> <td style="text-align: right;">220,133</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 accounts receivable (i.e., real estate) differ between the two statements. This amount represents the net change in deferred revenue. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;"></td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">147,303</td> </tr> </table> • In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;"></td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">(54,415)</td> </tr> </table> • Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;">Compensated absences</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">(29,900)</td> </tr> <tr> <td>Accrued other post-employment benefits</td> <td></td> <td style="text-align: right;">(35,030)</td> </tr> </table> • Certain changes in the net pension liability, which are deferred to future reporting periods, are not reported in the governmental funds. <table style="width: 100%; margin-left: 20px;"> <tr> <td style="width: 70%;"></td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">(136,907)</td> </tr> </table> 			Capital outlay		2,846,610	Depreciation		(969,878)	Issuance of debt		(2,319,336)	Repayments of debt		1,156,000	Capital lease additions		(445,423)	Capital lease repayments		220,133			147,303			(54,415)	Compensated absences		(29,900)	Accrued other post-employment benefits		(35,030)			(136,907)
Capital outlay		2,846,610																																	
Depreciation		(969,878)																																	
Issuance of debt		(2,319,336)																																	
Repayments of debt		1,156,000																																	
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		147,303																																	
		(54,415)																																	
Compensated absences		(29,900)																																	
Accrued other post-employment benefits		(35,030)																																	
		(136,907)																																	
Change in net position of governmental activities	\$	<u>2,383,249</u>																																	

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

TOWN OF AMHERST, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2017

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget Positive (Negative)
Revenues and other sources:				
Property taxes	\$ 8,516,093	\$ 8,516,093	\$ 8,516,093	\$ -
Penalties, interest and other taxes	153,431	153,431	204,578	51,147
Licenses and permits	2,895,000	2,895,000	3,085,829	190,829
Intergovernmental	990,085	990,085	991,880	1,795
Charges for services	520,000	520,000	532,998	12,998
Investment income	78,000	78,000	105,268	27,268
Miscellaneous	13,500	13,500	68,658	55,158
Transfers in	80,000	80,000	80,306	306
Use of fund balance	100,000	100,000	100,000	-
Total Revenues and Other Sources	<u>13,346,109</u>	<u>13,346,109</u>	<u>13,685,610</u>	<u>339,501</u>
Expenditures and other uses:				
Current:				
General government	2,377,881	2,608,108	2,406,026	202,082
Public safety	3,985,060	3,854,166	3,810,743	43,423
Highways and streets	3,340,425	3,281,252	3,173,509	107,743
Sanitation	591,689	603,307	602,605	702
Health and welfare	72,759	56,359	52,892	3,467
Culture and recreation	1,230,735	1,251,357	1,243,306	8,051
Conservation	14,150	14,150	13,925	225
Transfers out	350,000	350,000	350,000	-
Capital outlay	-	-	21,713	(21,713)
Debt service	1,383,410	1,327,410	1,328,165	(755)
Total Expenditures and Other Uses	<u>13,346,109</u>	<u>13,346,109</u>	<u>13,002,884</u>	<u>343,225</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>682,726</u>	\$ <u>682,726</u>

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

TOWN OF AMHERST, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

JUNE 30, 2017

	Business-Type Activities <u>Enterprise Funds</u> Baboosic Septic <u>Fund</u>
ASSETS	
Current:	
User fees, net of allowance for uncollectibles	\$ 19,470
Intergovernmental receivables	<u>161,290</u>
Total current assets	180,760
Noncurrent:	
Capital assets	
Other capital assets, net of accumulated depreciation	<u>669,606</u>
Total noncurrent assets	<u>669,606</u>
TOTAL ASSETS	850,366
LIABILITIES	
Current:	
Accounts payable	142
Accrued liabilities	3,685
Due to other funds	88,595
Notes payable	<u>31,927</u>
Total current liabilities	124,349
Noncurrent:	
Notes payable, net of current portion	<u>219,716</u>
Total noncurrent liabilities	<u>219,716</u>
TOTAL LIABILITIES	344,065
NET POSITION	
Net investment in capital assets	417,962
Unrestricted	<u>88,339</u>
TOTAL NET POSITION	<u>\$ 506,301</u>

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

TOWN OF AMHERST, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities <u>Enterprise Funds</u> Baboosic Septic <u>Fund</u>
Operating Revenues:	
Charges for services	\$ <u>64,453</u>
Total Operating Revenues	64,453
Operating Expenses:	
Operating expenses	35,321
Depreciation	<u>103,406</u>
Total Operating Expenses	<u>138,727</u>
Operating Income (Loss)	(74,274)
Nonoperating Revenues (Expenses):	
Intergovernmental	3,023
Interest expense	<u>(7,411)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(4,388)</u>
Change in Net Position	(78,662)
Net Position at Beginning of Year	<u>584,963</u>
Net Position at End of Year	<u>\$ <u>506,301</u></u>

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

TOWN OF AMHERST, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2017

	Business-Type Activities <u>Enterprise Funds</u> Baboosic Septic <u>Fund</u>
<u>Cash Flows From Operating Activities:</u>	
Receipts from customers and users	\$ 68,202
Payments to vendors and employees	<u>(36,622)</u>
Net Cash Provided By (Used For) Operating Activities	31,580
<u>Cash Flows From Capital and Related Financing Activities:</u>	
Principal payments on notes	(31,927)
Intergovernmental revenue	26,793
Interest expense	<u>(7,411)</u>
Net Cash Provided By (Used For) Capital and Related Financing Activities	<u>(12,545)</u>
Net Change in Cash and Short-Term Investments	19,035
Cash and Cash Equivalents (Deficiency), Beginning of Year	<u>(107,630)</u>
Cash and Cash Equivalents (Deficiency), End of Year	<u>\$ (88,595)</u>
<u>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities:</u>	
Operating income	\$ (74,274)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:	
Depreciation	103,406
Changes in assets, liabilities, and deferred outflows/inflows:	
User fees	3,749
Accounts payable	(841)
Accrued liabilities	<u>(460)</u>
Net Cash Provided By Operating Activities	<u>\$ 31,580</u>

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

TOWN OF AMHERST, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 STATEMENT OF FIDUCIARY NET POSITION
 JUNE 30, 2017

ASSETS	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
Cash and short-term investments	\$ -	\$ 73,753
Investments	<u>1,248,282</u>	<u>747,521</u>
Total Assets	1,248,282	821,274
LIABILITIES		
Due to other governments	<u>-</u>	<u>821,274</u>
Total Liabilities	<u>-</u>	<u>821,274</u>
NET POSITION		
Total net position held in trust	<u><u>\$ 1,248,282</u></u>	<u><u>\$ -</u></u>

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

TOWN OF AMHERST, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED JUNE 30, 2017

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions	\$ 2,474
Investment income	<u>95,832</u>
Total additions	98,306
Deductions:	
Education	<u>40,326</u>
Total deductions	<u>40,326</u>
Net increase	57,980
Net position:	
Beginning of year	<u>1,190,302</u>
End of year	<u><u>\$ 1,248,282</u></u>

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

TOWN OF AMHERST, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Amherst (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 was incorporated in 1760 and 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 year 2017, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the non-fiduciary 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. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, and fiduciary funds, even though the latter are excluded from the government-

wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

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

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 non-operating revenues and expenses.

The Town reports the following major proprietary funds:

- The Baboosic Lake Septic Fund is utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e., expenses including depreciation) of providing goods or services to the residents on a continuing basis are financed or recovered primarily through user charges.

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.
- The Town's *agency funds* are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Town's agency funds account for the capital reserve funds of the Amherst School District, Souhegan Cooperative School District, and the SAU 39 Capital Facilities Fund, which are held by the Town as required by State law. Other agency funds consist of escrow and developer's performance bonds.

D. Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general

fund. Certain special revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds.

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

E. Investments

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

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) or "advances to/from other funds" (i.e., the non-current portion of interfund loans).

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in governmental activities 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.

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	15 – 20
Infrastructure	40
Vehicles and equipment	5 – 10
Library media	10

H. Compensated Absences

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

I. Long-Term Obligations

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

J. Fund Equity

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

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

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

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling

legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

K. Use of Estimates

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

2. 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 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)	\$ 13,183,941	\$ 12,625,361
Other financing sources/uses (GAAP basis)	<u>437,569</u>	<u>367,215</u>
Subtotal (GAAP Basis)	13,621,510	12,992,576
Adjust tax revenue to accrual basis	225,563	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(125,804)
Add end-of-year appropriation carryforwards from expenditures	-	658,480
To remove capital reserve funds	77,242	(827)
To remove land use change tax fund	25,570	(17,215)
To record use of fund balance	100,000	-
Other timing issues	<u>(364,275)</u>	<u>(504,326)</u>
Budgetary basis	<u>\$ 13,685,610</u>	<u>\$ 13,002,884</u>

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." In accordance with the Town's investment policy for its governmental funds, all security transactions must be secured by collateral having a value at least equal to the amount of funds in excess of the FDIC deposit limits. Such collateral shall be segregated for the exclusive benefit of the Town and may consist of obligations of the United States government, United States government agencies or obligations of the State of New Hampshire.

As of June 30, 2017, none of the Town's bank balances of \$19,109,875 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>				
			<u>A1</u>	<u>A3</u>	<u>Baa1</u>	<u>Baa2</u>	<u>Baa3</u>
Certificates of deposit	\$ 6,410	\$ 6,410	\$ -	\$ -	\$ -	\$ -	\$ -
Corporate bonds	599	-	102	127	208	109	53
Corporate equities	2,002	2,002	-	-	-	-	-
Mutual funds	<u>1,991</u>	<u>1,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total investments	<u>\$ 11,002</u>	<u>\$ 10,403</u>	<u>\$ 102</u>	<u>\$ 127</u>	<u>\$ 208</u>	<u>\$ 109</u>	<u>\$ 53</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 Trustees of Trust Funds and the Library Trustees have no policy regarding custodial credit risk.

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

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. The Town does not have an investment in one issuer greater than 5% of total investments.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of

an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>N/A</u>
Certificates of deposit	\$ 6,410	\$ 630	\$ 5,780	\$ -	\$ -
Corporate bonds	599	205	212	182	-
Corporate equities	2,002	-	-	-	2,002
Mutual funds	<u>1,991</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,991</u>
Total	<u>\$ 11,002</u>	<u>\$ 835</u>	<u>\$ 5,992</u>	<u>\$ 182</u>	<u>\$ 3,993</u>

E. 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. All of the Town's investments are classified as Level 1 except Certificates of Deposit which are reported at cost.

<u>Description</u>	<u>Fair Value Measurements Using:</u>	
	<u>Quoted prices in active markets for identical assets (Level 1)</u>	
Investments by fair value level:		
Debt securities		
Corporate bonds	\$ 599	\$ 599
Equity securities	2,002	2,002
Mutual funds	<u>1,991</u>	1,991
Total	<u>\$ 4,592</u>	

5. Taxes Receivable

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

Taxes receivable at June 30, 2017 consist of the following (in thousands):

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate taxes	\$ 4,457,625	\$ (44,009)	\$ 4,413,616
Tax liens	434,747	(8,695)	426,052
Welfare and elderly liens	171,559	-	171,559
Total property taxes	<u>5,063,931</u>	<u>(52,704)</u>	<u>5,011,227</u>
Grand total	<u>\$ 5,063,931</u>	<u>\$ (52,704)</u>	<u>\$ 5,011,227</u>

Taxes Collected for Others

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

6. User Fee Receivables

Receivables for user charges and betterments for governmental activities at June 30, 2017 consist of the following:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Ambulance	\$ 216,734	\$ (109,829)	\$ 106,905
Total	<u>\$ 216,734</u>	<u>\$ (109,829)</u>	<u>\$ 106,905</u>

7. Intergovernmental Receivables

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

8. Interfund Fund 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 June 30, 2017 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 278,222	\$ -
Road Construction Fund	-	313,785
Nonmajor Governmental Funds	124,158	-
Enterprise Funds:		
Baboosic Lake septic fund	-	88,595
Total	<u>\$ 402,380</u>	<u>\$ 402,380</u>

9. 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	\$ 437,569	\$ (367,215)
Nonmajor Governmental Funds	<u>17,215</u>	<u>(87,569)</u>
Grand Total	<u>\$ 454,784</u>	<u>\$ (454,784)</u>

Of the transfer into the general fund, \$87,569 was transferred from the permanent trust fund. Of the transfer out of the general fund, \$17,215 was transferred to the conservation fund for. The Government's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

10. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,092	\$ 419	\$ -	\$ 4,511
Machinery, equipment, and furnishings	10,505	891	(472)	10,924
Infrastructure	<u>15,481</u>	<u>1,535</u>	<u>-</u>	<u>17,016</u>
Total capital assets, being depreciated	30,078	2,845	(472)	32,451
Less accumulated depreciation for:				
Buildings and improvements	(1,660)	(134)	-	(1,794)
Machinery, equipment, and furnishings	(8,618)	(443)	472	(8,589)
Infrastructure	<u>(857)</u>	<u>(393)</u>	<u>-</u>	<u>(1,250)</u>
Total accumulated depreciation	<u>(11,135)</u>	<u>(970)</u>	<u>472</u>	<u>(11,633)</u>
Total capital assets, being depreciated, net	18,943	1,875	-	20,818
Capital assets, not being depreciated:				
Land	8,046	-	-	8,046
Works of art	22	-	-	22
Construction in progress	<u>597</u>	<u>2</u>	<u>-</u>	<u>599</u>
Total capital assets, not being depreciated	<u>8,665</u>	<u>2</u>	<u>-</u>	<u>8,667</u>
Governmental activities capital assets, net	<u>\$ 27,608</u>	<u>\$ 1,877</u>	<u>\$ -</u>	<u>\$ 29,485</u>
	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-Type Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 1,552	\$ -	\$ -	\$ 1,552
Total capital assets, being depreciated	1,552	-	-	1,552
Less accumulated depreciation for:				
Buildings and improvements	<u>(779)</u>	<u>(103)</u>	<u>-</u>	<u>(882)</u>
Total accumulated depreciation	<u>(779)</u>	<u>(103)</u>	<u>-</u>	<u>(882)</u>
Total capital assets, being depreciated, net	<u>773</u>	<u>(103)</u>	<u>-</u>	<u>670</u>
Business-type activities capital assets, net	<u>\$ 773</u>	<u>\$ (103)</u>	<u>\$ -</u>	<u>\$ 670</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities:	
General government	\$ 63
Public safety	176
Highway	571
Culture and recreation	147
Conservation	<u>13</u>
Total depreciation expense - governmental activities	<u>\$ 970</u>
Business-Type Activities:	
Baboosic lake septic	<u>\$ 103</u>
Total depreciation expense - business-type activities	<u>\$ 103</u>

11. Deferred Outflows of Resources

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

12. Accounts Payable and Accrued Expenses

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

13. Tax Refunds Payable

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

14. Capital Lease Obligations

The Town is the lessee of certain equipment under capital leases expiring in various years through 2021. Future minimum lease payments under the capital leases consisted of the following as of June 30, 2017:

<u>Year</u>	<u>Capital Leases</u>
2018	\$ 191,719
2019	191,721
2020	164,079
2021	<u>84,161</u>
Total payments	631,680
Less amounts representing interest	<u>(28,074)</u>
Present Value of Minimum Lease Payments	<u>\$ 603,606</u>

15. Long-Term Debt

A. Notes Payable

The Town issues notes payable to provide funds for the acquisition and construction of major capital facilities. Notes payable have been issued for governmental and business-type activities. 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 6/30/17</u>
Bridge Loan	07/13/19	2.50%	\$ 319,336
Spring Road	08/01/20	3.02%	200,000
Road Reconstruction	06/07/23	2.25%	1,200,000
Road Reconstruction	03/10/24	2.30%	1,400,000
Refunding	03/10/25	2.39%	2,447,999
LBS Loan	07/29/25	2.30%	<u>3,600,000</u>
Total Governmental Activities:			<u>\$ 9,167,335</u>

<u>Business-Type Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 6/30/17</u>
Baboosic Lake Septic - phase 2	09/30/22	4.20%	\$ 71,400
Baboosic Lake Septic	08/01/25	3.17%	102,420
Baboosic Lake Septic	04/01/26	2.91%	<u>77,823</u>
Total Business-Type Activities:			<u>\$ 251,643</u>

B. Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of June 30, 2017 are as follows:

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,296,017	\$ 206,866	\$ 1,502,883
2019	1,296,017	183,468	1,479,485
2020	1,195,302	152,771	1,348,073
2021	1,156,000	124,669	1,280,669
2022	1,106,000	97,310	1,203,310
2023 - 2026	<u>3,117,999</u>	<u>152,540</u>	<u>3,270,539</u>
Total	<u>\$ 9,167,335</u>	<u>\$ 917,624</u>	<u>\$ 10,084,959</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 31,927	\$ 6,704	\$ 38,631
2019	31,927	5,766	37,693
2020	31,927	4,825	36,752
2021	31,927	3,893	35,820
2022	31,927	2,947	34,874
2023 - 2026	<u>92,008</u>	<u>4,646</u>	<u>96,654</u>
Total	<u>\$ 251,643</u>	<u>\$ 28,781</u>	<u>\$ 280,424</u>

C. Changes in General Long-Term Liabilities

During the year ended June 30, 2017, the following changes occurred in long-term liabilities:

	Total Balance <u>7/1/16</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/17</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/17</u>
<u>Governmental Activities</u>						
Notes payable	\$ 8,004	\$ 2,319	\$ (1,156)	\$ 9,167	\$ (1,296)	\$ 7,871
Capital lease payable	378	446	(220)	604	(179)	425
Compensated absences	262	30	-	292	(15)	277
Accrued other post-employment benefits	306	35	-	341	-	341
Net pension liability	<u>3,221</u>	<u>1,502</u>	<u>-</u>	<u>4,723</u>	<u>-</u>	<u>4,723</u>
Subtotal - other	<u>4,167</u>	<u>2,013</u>	<u>(220)</u>	<u>5,960</u>	<u>(194)</u>	<u>5,766</u>
Totals	<u>\$ 12,171</u>	<u>\$ 4,332</u>	<u>\$ (1,376)</u>	<u>\$ 15,127</u>	<u>\$ (1,490)</u>	<u>\$ 13,637</u>
<u>Business-Type Activities</u>						
Notes payable	\$ 284	\$ -	\$ (32)	\$ 252	\$ (32)	\$ 220
Totals	<u>\$ 284</u>	<u>\$ -</u>	<u>\$ (32)</u>	<u>\$ 252</u>	<u>\$ (32)</u>	<u>\$ 220</u>

16. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The Town reports two items as deferred inflows of resources: one which is attributable to changes in the net pension liability, and the other which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds. Deferred inflows of resources related to pension will be recognized in pension expense in future years and is more fully described in Note 19. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

17. Governmental Funds - Balances

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

The following types of fund balances are reported at June 30, 2017:

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

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

Following is a breakdown of the Town's fund balances at June 30, 2017:

	<u>General Fund</u>	<u>Road Construction Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 1,576,451	\$ 1,576,451
Total Nonexpendable	-	-	1,576,451	1,576,451
Restricted				
Special revenue fund	-	-	1,067,923	1,067,923
Expendable permanent funds	-	-	550,293	550,293
Total Restricted	-	-	1,618,216	1,618,216
Committed				
Capital reserve funds	900,462	-	-	900,462
Total Committed	900,462	-	-	900,462
Assigned				
For encumbrances:				
General government	23,170	-	-	23,170
Public safety	2,125	-	-	2,125
Highway	633,158	-	-	633,158
Reserved for other purposes:				
Land use change tax fund	37,089	-	-	37,089
Total Assigned	695,542	-	-	695,542
Unassigned				
Capital project fund	-	(337,499)	(158,913)	(496,412)
Unassigned	6,137,706	-	-	6,137,706
Total Unassigned	6,137,706	(337,499)	(158,913)	5,641,294
Total Fund Balance	\$ 7,733,710	\$ (337,499)	\$ 3,035,754	\$ 10,431,965

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 undesignated fund balance is reported in accordance with the budgetary basis for reporting for the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire considers revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.

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

GAAP basis balance	\$ 6,137,706
Tax refund estimate	181,734
Adjust deferred revenue	206,437
Other	<u>74,170</u>
Tax Rate Setting Balance	<u>\$ 6,600,047</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 New Hampshire Retirement System (NHRS), a cost-sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

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

B. Benefits Provided

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

is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

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

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

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and teachers 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.86% to 25.32% of covered compensation. The Town's contribution to NHRS for the year ended June 30, 2017 was \$318,016.

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 June 30, 2017, the Town reported a liability of \$4,722,645 for its proportionate share of the net pension liability. The net pension liability was measured

as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. 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 the most recent measurement date June 30, 2016, the Town's proportion was .0889 percent.

For the year ended June 30, 2017, the Town recognized pension expense of \$489,850. 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	\$ 13,124	\$ 59,635
Net difference between projected and actual earnings on pension plan investments	295,473	-
Changes in assumptions	581,208	-
Changes in proportion	250,798	307,819
Contributions subsequent to the	<u>336,060</u>	<u>-</u>
Total	<u>\$ 1,476,663</u>	<u>\$ 367,454</u>

The \$336,060 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 131,839
2019	131,839
2020	241,795
2021	252,123
2022	<u>15,553</u>
Total	<u>\$ 773,149</u>

F. Actuarial Assumptions

The total pension liability in the June 30, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

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

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

The actuarial assumptions used in the June 30, 2015 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:

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Weighted Average Average Long-Term Expected Real Rate of Return</u>
Large Cap Equities	22.50 %	4.25%
Small/Mid Cap Equities	<u>7.50</u>	4.50%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.75%
Emerging Int'l Equities	<u>7.00</u>	6.25%
Total international equities	20.00	
Core Bonds	5.00	0.64%
Short Duration	2.00	-0.25%
Global Multi-Sector Fixed Income	11.00	1.71%
Unconstrained Fixed Income	<u>7.00</u>	1.08%
Total fixed income	25.00	
Private equity	5.00	6.25%
Private debt	5.00	4.75%
Real estate	5.00	3.68%
Opportunistic	<u>10.00</u>	3.25%
Total alternative investments	<u>25.00</u>	
Total	<u>100.00</u> %	

G. Discount Rate

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

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

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

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 6,068,277	\$ 4,722,645	\$ 3,606,657

I. Pension Plan Fiduciary Net Position

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

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

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

their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

In addition to providing the pension benefits described, the Town provides post-employment healthcare and life insurance benefits for retired employees through the Town’s plan. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of June 30, 2016, the actuarial valuation date, approximately 3 retirees and 64 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

The Town provides dental, medical, and pharmacy benefits to eligible retirees. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

C. Funding Policy

Retirees contribute 100% of the cost of the health plan, as determined by the Town.

D. Annual OPEB Costs and Net OPEB Obligation

The Town’s fiscal 2017 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town’s annual OPEB cost for the year ending June 30, 2017, the amount actually contributed to the plan, and the change in the Town’s net OPEB obligation based on an actuarial valuation as of June 30, 2016.

Annual Required Contribution (ARC)	\$ 87,235
Interest on net OPEB obligation	12,255
Adjustment to ARC	<u>(12,175)</u>
Annual OPEB cost	87,315
Contributions made	<u>(52,285)</u>
Increase in net OPEB obligation	35,030
Net OPEB obligation - beginning of year	<u>306,367</u>
Net OPEB obligation - end of year	<u>\$ 341,397</u>

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

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 87,315	60%	\$ 341,397
2016	\$ 87,304	55%	\$ 306,367
2015	\$ 109,905	69%	\$ 267,031

E. Funded Status and Funding Progress

The funded status of the plan as of June 30, 2016 the date of the most recent actuarial valuation was as follows:

Actuarial accrued liability (AAL)	\$ 765,168
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 765,168</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 3,737,219</u>
UAAL as a percentage of covered payroll	<u>20.5%</u>

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

F. Actuarial Methods and Assumptions

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

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

In the June 30, 2016 actuarial valuation, the projected unit credit cost method was used. The actuarial value of assets was not determined as the Town has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 9%, which decreases to a 5% long-term rate for all healthcare benefits after 9 years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on an open group basis. This has been calculated assuming the amortization payment increases at a rate of 3%.

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 Fund Balance Restatement

The beginning (July 1, 2016) fund balance/net position of the Town has been restated as follows:

Fund Basis Financial Statements:

	General Fund	Road Construction Fund	Nonmajor Funds	Total
As previously reported	\$ 6,520,191	\$ (1,251,031)	\$ 3,158,713	\$ 8,427,873
To reclass bridge funds to bridge capital project fund	<u>584,585</u>	<u>(178,293)</u>	<u>(406,292)</u>	<u>-</u>
As restated	<u>\$ 7,104,776</u>	<u>\$ (1,429,324)</u>	<u>\$ 2,752,421</u>	<u>\$ 8,427,873</u>

23. Implementation of New GASB Standard

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

TOWN OF AMHERST, NEW HAMPSHIRE
SCHEDULE OF PROPORTIONATE SHARE (GASB 68)
OF THE NET PENSION LIABILITY

JUNE 30, 2017
(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2017	June 30, 2016	0.089%	\$4,722,645	\$ 1,464,927	322%	58.30%
June 30, 2016	June 30, 2015	0.081%	\$3,220,451	\$ 1,324,835	243%	65.50%
June 30, 2015	June 30, 2014	0.092%	\$3,454,042	\$ 1,266,132	273%	66.30%

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

See Independent Auditors' Report.

TOWN OF AMHERST, NEW HAMPSHIRE

SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

**JUNE 30, 2017
(Unaudited)**

New Hampshire Retirement System					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	Contributions in Relation to the <u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as Covered Payroll</u>
June 30, 2017	\$ 318,016	\$ 318,016	\$ 636,032	\$ 1,464,927	22%
June 30, 2016	\$ 301,135	\$ 301,135	\$ 602,270	\$ 1,324,835	23%
June 30, 2015	\$ 272,727	\$ 272,727	\$ 545,454	\$ 1,266,132	22%

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

See Independent Auditors' Report.

TOWN OF AMHERST, NEW HAMPSHIRE
SCHEDULE OF OPEB FUNDING PROGRESS (GASB 45)
JUNE 30, 2017
(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
06/30/16	\$ -	\$ 765,168	\$ 765,168	0.0%	\$ 3,737,219	20.5%
07/01/12	\$ -	\$ 1,212,589	\$ 1,212,589	0.0%	\$ 3,192,264	38.0%
07/01/09	\$ -	\$ 1,255,353	\$ 1,255,353	0.0%	\$ 3,265,756	38.4%

See Independent Auditors' Report.