

TOWN OF HOLDERNESS, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended June 30, 2018

Town of Holderness, New Hampshire

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Additional Offices:

Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Holderness, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Holderness, New Hampshire, as of and for the year ended June 30, 2018, 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 auditor's 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.

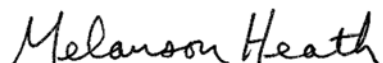
Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Holderness, New Hampshire, as of June 30, 2018, and the respective changes in financial position 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 43 to 46 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.

A handwritten signature in cursive script that reads "Melanson Heath".

December 19, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Holderness, New Hampshire, we offer readers this narrative overview and analysis of the financial activities of the Town for the fiscal year ended June 30, 2018.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to 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, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

The government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities include general government, public safety, highways and streets, sanitation, health and human service, welfare, culture and recreation, and conservation.

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 two categories: governmental funds, and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements,

governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating 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.

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.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$6,898,289 (i.e., net position), a change of \$370,446 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$2,835,739 a change of \$303,307 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,662,296, a change of \$221,270 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 fiscal year.

NET POSITION

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 8,193,201	\$ 7,583,754
Capital assets	<u>5,443,851</u>	<u>5,401,826</u>
Total assets	13,637,052	12,985,580
Deferred outflows of resources	362,049	527,606
Current liabilities	42,900	124,170
Noncurrent liabilities	<u>1,687,608</u>	<u>1,743,825</u>
Total liabilities	1,730,508	1,867,995
Deferred inflows of resources	5,370,304	5,002,069
Net position:		
Net investment in capital assets	5,443,851	5,343,493
Restricted	85,645	91,585
Unrestricted	<u>1,368,793</u>	<u>1,208,044</u>
Total net position	<u>\$ 6,898,289</u>	<u>\$ 6,643,122</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent year, total net position was \$6,898,289, a change of \$370,446 from the prior year.

The largest portion of net position \$5,443,851 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 \$85,645 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$1,368,793 may be used to meet the government's ongoing obligations to citizens and creditors.

CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Charges for services	\$ 244,927	\$ 225,554
Operating grants and contributions	11	11
General revenues:		
Property taxes	1,781,749	1,716,975
Motor vehicle permits	512,338	505,668
Penalties and interest on taxes	92,916	54,997
Grants and contributions not restricted to specific programs	245,447	854,688
Investment income	40,897	25,708
Miscellaneous revenue	<u>53,774</u>	<u>128,508</u>
Total revenues	2,972,059	3,512,109
Expenses:		
General government	837,247	843,778
Public safety	781,310	784,103
Highway and streets	504,789	485,906
Sanitation	189,245	193,782
Health and human services	39,197	35,970
Welfare	3,841	5,691
Culture and recreation	242,251	215,298
Conservation	2,374	4,026
Interest expense	<u>1,359</u>	<u>152</u>
Total expenses	<u>2,601,613</u>	<u>2,568,706</u>
Change in net position	370,446	943,403
Net position - beginning of year, as restated	<u>6,527,843</u>	<u>5,699,719</u>
Net position - end of year	<u>\$ 6,898,289</u>	<u>\$ 6,643,122</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$370,446. Key elements of this change are as follows:

General fund operating results, as discussed further in Section D	\$ 309,247
Other governmental funds operations	(5,940)
Depreciation expense in excess of principal debt service	(194,773)
Change in Net Pension and Net OPEB liabilities, including deferred outflows and inflows	(22,693)
Capital assets acquired from revenue sources	295,131
Other	<u>(10,526)</u>
Total	<u>\$ 370,446</u>

D. FINANCIAL ANALYSIS OF FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$2,835,739, a change of \$303,307 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 309,247
Nonmajor funds operating results	<u>(5,940)</u>
Total	<u>\$ 303,307</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,662,296, while total fund balance was \$2,750,094. 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>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>	% of Total General Fund Expenditures
Unassigned fund balance	\$ 1,662,296	\$ 1,441,026	\$ 221,270	62.8%
Total fund balance	\$ 2,750,094	\$ 2,440,847	\$ 309,247	103.8%

The fund balance of the general fund changed by \$309,247 during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (91,081)
Revenues in excess of budget	35,577
Expenditures less than budget	224,843
Tax collections compared to budget	48,191
Current year encumbrances in excess of prior year	55,287
Change in capital reserves	<u>36,430</u>
Total	<u>\$ 309,247</u>

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

	<u>6/30/18</u>	<u>6/30/17</u>	<u>Change</u>
Capital Reserve	\$ <u>1,019,311</u>	\$ <u>982,881</u>	\$ <u>36,430</u>
Total	\$ <u>1,019,311</u>	\$ <u>982,881</u>	\$ <u>36,430</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no differences between the original budget and the final budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to \$5,443,851 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

Governmental:

New addition:

Kenworth T470 & Plow	\$ 152,174
2017 Ford Police Interceptor	\$ 47,741
2017 Ford Fire Utility Vehicle	\$ 34,659

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

REQUESTS FOR INFORMATION

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

Board of Selectmen
Town of Holderness
P.O. Box 203, Holderness
Holderness, New Hampshire 03245
(603) 968-3537

TOWN OF HOLDERNESS, NEW HAMPSHIRE

STATEMENT OF NET POSITION

JUNE 30, 2018

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 5,631,219
Investments	254,260
Restricted cash	1,019,311
Receivables, net of allowance for uncollectibles:	
Property taxes	1,196,046
Other assets	24,968
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	67,397
Land and construction in progress	1,296,888
Other capital assets, net of accumulated depreciation	4,146,963
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	346,534
Related to OPEB	<u>15,515</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	13,999,101
LIABILITIES	
Current:	
Accounts payable	13,305
Accrued expenses	21,891
Other current liabilities	4,114
Current portion of long-term liabilities:	
Other	3,590
Noncurrent:	
Net pension liability	1,532,882
Net OPEB liability	122,412
Other, net of current portion	32,314
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	143,677
Related to OPEB	840
Unavailable revenues	<u>5,225,787</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	7,100,812
NET POSITION	
Net investment in capital assets	5,443,851
Restricted for:	
Special purposes	71,274
Permanent funds	
Nonexpendable	4,750
Expendable	9,621
Unrestricted	<u>1,368,793</u>
TOTAL NET POSITION	<u><u>\$ 6,898,289</u></u>

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

TOWN OF HOLDERNESS, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

		<u>Program Revenues</u>		<u>Net (Expenses)</u>
				<u>Revenues and</u>
				<u>Changes in</u>
				<u>Net Position</u>
	<u>Expenses</u>	<u>Charges for</u>	<u>Operating</u>	<u>Governmental</u>
		<u>Services</u>	<u>Grants and</u>	<u>Activities</u>
			<u>Contributions</u>	
Governmental Activities:				
General government	\$ 837,247	\$ 39,201	\$ 11	\$ (798,035)
Public safety	781,310	109,605	-	(671,705)
Highway and streets	504,789	-	-	(504,789)
Sanitation	189,245	45,436	-	(143,809)
Health and human services	39,197	-	-	(39,197)
Welfare	3,841	-	-	(3,841)
Culture and recreation	242,251	50,685	-	(191,566)
Conservation	2,374	-	-	(2,374)
Interest expense	1,359	-	-	(1,359)
Total	<u>\$ 2,601,613</u>	<u>\$ 244,927</u>	<u>\$ 11</u>	(2,356,675)
General Revenues:				
				1,781,749
				512,338
				92,916
				245,447
				40,897
				53,774
Total general revenues				<u>2,727,121</u>
Change in Net Position				370,446
Net Position:				
				<u>6,527,843</u>
End of year				<u>\$ 6,898,289</u>

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

TOWN OF HOLDERNESS, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	<u>General</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS			
Cash and short-term investments	\$ 5,616,848	\$ 14,371	\$ 5,631,219
Investments	254,260	-	254,260
Restricted cash	1,019,311	-	1,019,311
Receivables:			
Property taxes	1,285,892	-	1,285,892
Due from other funds	-	71,274	71,274
TOTAL ASSETS	<u>\$ 8,176,311</u>	<u>\$ 85,645</u>	<u>\$ 8,261,956</u>
LIABILITIES			
Accounts payable	\$ 13,305	\$ -	\$ 13,305
Accrued liabilities	21,891	-	21,891
Due to other funds	71,274	-	71,274
Other liabilities	4,114	-	4,114
TOTAL LIABILITIES	110,584	-	110,584
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	5,315,633	-	5,315,633
FUND BALANCES			
Nonspendable	-	4,750	4,750
Restricted	-	80,895	80,895
Committed	1,019,311	-	1,019,311
Assigned	68,487	-	68,487
Unassigned	1,662,296	-	1,662,296
TOTAL FUND BALANCES	<u>2,750,094</u>	<u>85,645</u>	<u>2,835,739</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 8,176,311</u>	<u>\$ 85,645</u>	<u>\$ 8,261,956</u>

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

TOWN OF HOLDERNESS, NEW HAMPSHIRE

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

JUNE 30, 2018

Total governmental fund balances	\$ 2,835,739
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,443,851
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	67,397
• Long-term liabilities, including bonds payable, net pension liability, net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(1,691,198)
• Other	<u>242,500</u>
Net position of governmental activities	<u><u>\$ 6,898,289</u></u>

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

TOWN OF HOLDERNESS, NEW HAMPSHIRE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 1,902,032	\$ -	\$ 1,902,032
Charges for services	167,892	41,358	209,250
Intergovernmental	243,885	-	243,885
Licenses and permits	548,015	-	548,015
Investment income	40,710	187	40,897
Miscellaneous	<u>55,347</u>	<u>-</u>	<u>55,347</u>
Total Revenues	2,957,881	41,545	2,999,426
Expenditures:			
Current:			
General government	748,396	-	748,396
Public safety	689,189	31,216	720,405
Highway and streets	328,983	-	328,983
Sanitation	180,199	-	180,199
Health and human services	39,197	-	39,197
Welfare	3,841	-	3,841
Culture and recreation	203,476	16,269	219,745
Conservation	2,374	-	2,374
Debt service	59,692	-	59,692
Capital outlay	<u>393,287</u>	<u>-</u>	<u>393,287</u>
Total Expenditures	<u>2,648,634</u>	<u>47,485</u>	<u>2,696,119</u>
Excess (deficiency) of revenues over expenditures	309,247	(5,940)	303,307
Fund Equity, at Beginning of Year	<u>2,440,847</u>	<u>91,585</u>	<u>2,532,432</u>
Fund Equity, at End of Year	\$ <u><u>2,750,094</u></u>	\$ <u><u>85,645</u></u>	\$ <u><u>2,835,739</u></u>

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

TOWN OF HOLDERNESS, 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, 2018

Net changes in fund balances - total governmental funds	\$ 303,307														
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td>Capital outlay</td><td style="text-align: right;">295,131</td></tr> <tr> <td>Depreciation</td><td style="text-align: right;">(253,106)</td></tr> </table> The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td>Repayments of debt</td><td style="text-align: right;">58,333</td></tr> </table> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., property tax) differ between the two statements. This amount represents the net change in deferred revenue. <table> <tr> <td></td><td style="text-align: right;">(52,335)</td></tr> </table> Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds: <table> <tr> <td>Net pension liability and related deferred outflows and inflows of resources</td><td style="text-align: right;">(30,235)</td></tr> <tr> <td>Net OPEB liability and related deferred outflows and inflows of resources</td><td style="text-align: right;">7,542</td></tr> </table> Other differences. <table> <tr> <td></td><td style="text-align: right;"><u>41,809</u></td></tr> </table> 	Capital outlay	295,131	Depreciation	(253,106)	Repayments of debt	58,333		(52,335)	Net pension liability and related deferred outflows and inflows of resources	(30,235)	Net OPEB liability and related deferred outflows and inflows of resources	7,542		<u>41,809</u>	
Capital outlay	295,131														
Depreciation	(253,106)														
Repayments of debt	58,333														
	(52,335)														
Net pension liability and related deferred outflows and inflows of resources	(30,235)														
Net OPEB liability and related deferred outflows and inflows of resources	7,542														
	<u>41,809</u>														
Change in net position of governmental activities	\$ <u>370,446</u>														

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

TOWN OF HOLDERNESS, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Property taxes	\$ 1,760,925	\$ 1,760,925	\$ 1,760,925	\$ -
Interest, penalties and other taxes	64,610	64,610	92,916	28,306
Charges for service	213,655	213,655	167,892	(45,763)
Licenses and permits	472,279	472,279	548,015	75,736
Intergovernmental	181,625	181,625	182,077	452
Investment income	17,806	17,806	25,592	7,786
Miscellaneous	12,215	12,215	55,347	43,132
Transfers in	456,260	456,260	382,188	(74,072)
Use of fund balance	91,081	91,081	91,081	-
Total Revenues and Other Sources	3,270,456	3,270,456	3,306,033	35,577
Expenditures and Other Uses:				
General government	823,263	823,263	753,896	69,367
Public safety	690,834	690,834	685,989	4,845
Highway and streets	321,355	321,355	320,162	1,193
Sanitation	197,013	197,013	180,199	16,814
Health and human services	42,720	42,720	39,197	3,523
Welfare	25,000	25,000	3,841	21,159
Culture and recreation	212,948	212,948	203,476	9,472
Conservation	5,465	5,465	2,374	3,091
Debt service	61,098	61,098	59,692	1,406
Capital outlay	487,260	487,260	393,287	93,973
Transfers out	403,500	403,500	403,500	-
Total Expenditures and Other Uses	3,270,456	3,270,456	3,045,613	224,843
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 260,420	\$ 260,420

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

TOWN OF HOLDERNESS, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

JUNE 30, 2018

	Private Purpose Trust Funds	Agency Funds
<u>ASSETS</u>		
Cash and short-term investments	\$ 145,363	\$ 195,977
Total Assets	145,363	195,977
<u>LIABILITIES AND NET POSITION</u>		
Other liabilities	-	195,977
Total Liabilities	-	195,977
<u>NET POSITION</u>		
Total net position held in trust	\$ 145,363	\$ -

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

TOWN OF HOLDERNESS, NEW HAMPSHIRE
FIDUCIARY FUNDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions	\$ 5,386
Interest	<u>1,927</u>
Total additions	7,313
Deductions:	
Other	<u>9,550</u>
Total deductions	<u>9,550</u>
Net decrease	(2,237)
Net position:	
Beginning of year	<u>147,600</u>
End of year	<u><u>\$ 145,363</u></u>

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

TOWN OF HOLDERNESS, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In 2018, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *general fund* is the 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 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 permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

D. Cash and Short-Term Investments

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

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

E. Investments

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

Investments for the Town consist of a certificate of deposit, which is reported at cost.

F. Interfund Receivables and Payables

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

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of 5 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>
Land improvements	15-30
Buildings and building improvements	15-40
Infrastructure	10-40
Machinery, equipment, and vehicles	5-25
Software	5

H. Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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 and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

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

Net Position - Net position represents the difference between assets and liabilities/deferred inflows. Net 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 fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

The Budget Committee's 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 Select Board cannot increase the total of the budget approved at Town Meeting; however, they have the authority 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>	Revenues and Other <u>Financing Sources</u>	Expenditures and Other <u>Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ <u>2,957,881</u>	\$ <u>2,648,634</u>
Subtotal (GAAP Basis)	2,957,881	2,648,634
Adjust tax revenue to accrual basis	(48,191)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(13,200)
Add end-of-year appropriation carryforwards from expenditures	-	68,487
Recognize use of fund balance as funding source	91,081	-
To eliminate capital reserve activity	367,070	403,500
Other GAAP timing differences	<u>(61,808)</u>	<u>(61,808)</u>
Budgetary basis	\$ <u><u>3,306,033</u></u>	\$ <u><u>3,045,613</u></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.” The Town does not have a deposit policy for custodial credit risk.

As of June 30, 2018, none of the Town’s bank balance of \$6,597,308 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 is the actual rating as of year-end for each investment of the Town:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year End</u>		
				<u>Aaa</u>	<u>Aa</u>	<u>Not Rated</u>
Certificates of deposits	\$ <u>254,260</u>	N/A	\$ <u>254,260</u>	\$ -	\$ -	\$ -
Total investments	\$ <u>254,260</u>		\$ <u>254,260</u>	\$ -	\$ -	\$ -

B. **Custodial Credit Risk**

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

C. **Concentration of Credit Risk**

The Town 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 policy relating to interest rate risk.

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

<u>Investment Type</u>	<u>Fair Value</u>	<u>Investment Maturities (in Years)</u>				<u>N/A</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More Than 10</u>	
Certificates of deposit	\$ 254,260	\$ -	\$ 254,260	\$ -	\$ -	\$ -
Total	\$ 254,260	\$ -	\$ 254,260	\$ -	\$ -	\$ -

E. Foreign Currency Risk

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

5. Restricted Cash

Restricted cash represents capital reserves funds held by the trustees of trust funds as of June 30, 2018.

6. Property Taxes Receivable

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

Property taxes receivable at June 30, 2018 consist of the following:

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate taxes	\$ 1,196,046	\$ -	\$ 1,196,046
Tax liens	89,846	(22,449)	67,397
Total property taxes	\$ 1,285,892	\$ (22,449)	\$ 1,263,443

Taxes Collected for Others

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

7. Interfund Fund Accounts

Receivables/Payables

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

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ -	\$ 71,274
Special Revenue Funds	<u>71,274</u>	<u>-</u>
Total	<u>\$ 71,274</u>	<u>\$ 71,274</u>

8. Capital Assets

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Land improvements	\$ 154,422	\$ -	\$ -	\$ 154,422
Buildings and improvements	2,826,124	-	-	2,826,124
Machinery, equipment, and vehicles	2,055,287	234,574	(275,000)	2,014,861
Infrastructure	<u>1,965,644</u>	<u>60,557</u>	<u>-</u>	<u>2,026,201</u>
Total capital assets, being depreciated	7,001,477	295,131	(275,000)	7,021,608
Less accumulated depreciation for:				
Land improvements	(88,359)	(3,861)	-	(92,220)
Buildings and improvements	(686,924)	(69,403)	-	(756,327)
Machinery, equipment, and vehicles	(1,382,445)	(80,428)	275,000	(1,187,873)
Infrastructure	<u>(738,811)</u>	<u>(99,414)</u>	<u>-</u>	<u>(838,225)</u>
Total accumulated depreciation	<u>(2,896,539)</u>	<u>(253,106)</u>	<u>275,000</u>	<u>(2,874,645)</u>
Total capital assets, being depreciated, net	4,104,938	42,025	-	4,146,963
Capital assets, not being depreciated:				
Land	<u>1,296,888</u>	<u>-</u>	<u>-</u>	<u>1,296,888</u>
Total capital assets, not being depreciated	<u>1,296,888</u>	<u>-</u>	<u>-</u>	<u>1,296,888</u>
Governmental activities capital assets, net	<u>\$ 5,401,826</u>	<u>\$ 42,025</u>	<u>\$ -</u>	<u>\$ 5,443,851</u>

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

Governmental Activities:	
General government	\$ 13,728
Public safety	60,889
Highways and streets	144,140 *
Sanitation	10,399
Culture and recreation	<u>23,950</u>
Total depreciation expense - governmental activities	<u>\$ 253,106</u>

*Note: Highway and streets includes depreciation costs for infrastructure

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

10. Accounts Payable

Accounts payable represent fiscal 2018 expenditures paid in fiscal 2019.

11. Long-Term Debt

A. Changes in General Long-Term Liabilities

During the year ended June 30, 2018, the following changes occurred in long-term liabilities:

	Total Balance <u>7/1/17</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>6/30/18</u>	Less Current Portion	Equals Long-Term Portion <u>6/30/18</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 58,333	\$ -	\$ (58,333)	\$ -	\$ -	\$ -
Net pension liability	1,696,354		(163,472)	1,532,882	-	1,532,882
Net OPEB liability	<u>129,905</u>	<u>748</u>	<u>(8,241)</u>	<u>122,412</u>	<u>-</u>	<u>122,412</u>
Other:						
Compensated absences	<u>52,745</u>	<u>-</u>	<u>(16,841)</u>	<u>35,904</u>	<u>(3,590)</u>	<u>32,314</u>
Subtotal - other	<u>52,745</u>	<u>-</u>	<u>(16,841)</u>	<u>35,904</u>	<u>(3,590)</u>	<u>32,314</u>
Totals	<u>\$ 1,937,337</u>	<u>\$ 748</u>	<u>\$ (246,887)</u>	<u>\$ 1,691,198</u>	<u>\$ (3,590)</u>	<u>\$ 1,687,608</u>

12. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

13. Governmental Funds - Balances

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

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

The following types of fund balances are reported at June 30, 2018:

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

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

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

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period and sale of land proceeds to be used for remaining debt payments on the Conservation land bond that funded the purchase of the property.

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, 2018:

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 4,750	\$ 4,750
Total Nonexpendable	-	4,750	4,750
Restricted			
Special revenue funds	-	71,274	71,274
Expendable permanent funds	-	9,621	9,621
Total Restricted	-	80,895	80,895
Committed			
Capital reserve funds	1,019,311	-	1,019,311
Total Committed	1,019,311	-	1,019,311
Assigned			
Encumbrances	68,487	-	68,487
Total Assigned	68,487	-	68,487
Unassigned			
Unassigned	1,662,296	-	1,662,296
Total Unassigned	1,662,296	-	1,662,296
Total Fund Balance	\$ 2,750,094	\$ 85,645	\$ 2,835,739

14. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in respect to how unassigned fund balance is reported in accordance with the budgetary basis for reporting for the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire considers revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.

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

GAAP basis balance	\$ 1,662,296
Other GAAP differences	<u>111,372</u>
Tax Rate Setting Balance	\$ <u><u>1,773,668</u></u>

15. **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 1 benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service, and a benefit multiplier depending on vesting status as of January 1, 2012. The maximum retirement allowance for Group II members vested by

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

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

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and teachers 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 11.08% to 27.79% of covered compensation. The Town's contribution to NHRS for the year ended June 30, 2018 was \$124,862, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

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

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

At June 30, 2018, the Town reported a liability of \$1,532,882 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the

pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Town's proportion was .03116885 percent.

For the year ended June 30, 2018, the Town recognized pension expense of \$152,412. In addition, the 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	\$ 3,476	\$ 19,509
Changes of assumptions	153,922	-
Net difference between projected and actual earnings on pension plan investments	-	19,522
Changes in proportion and differences between contributions and proportionate share of contributions	64,274	104,646
Contributions subsequent to the measurement date	<u>124,862</u>	<u>-</u>
Total	<u>\$ 346,534</u>	<u>\$ 143,677</u>

\$124,862 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2019	\$ 18,026
2020	59,505
2021	33,430
2022	<u>(32,966)</u>
Total	<u>\$ 77,995</u>

F. Actuarial Assumptions

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

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

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

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

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

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

G. Discount Rate

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

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

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

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 2,019,495	\$ 1,532,882	\$ 1,134,122

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.

16. Other Post-Employment Benefits (GASB 75)

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

to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

A. Town OPEB Plan

All the following OPEB disclosures are based on a measurement date of June 30, 2017.

General Information about the OPEB Plan

Plan Description

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

The Town's OPEB plan is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

Benefits Provided

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

Plan Membership

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	-
Active employees	<u>15</u>
Total	<u><u>15</u></u>

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the alternative measurement method as of June 30, 2017, in accordance with the parameters of GASB Statement No. 75. Alternative measurement method valuations of an ongoing plan are allowed for a sole employer with fewer than one hundred total plan members and involve estimates of the value of reported amount and

assumptions about the probability of occurrence of events far into the future, similar to broad measurement steps as would be used by an actuarial valuation for plans whose members exceed one hundred. Examples include assumptions about future employment, mortality, and the healthcare cost trend. The alternative measurement method used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5 percent per year
Salary increases	3.25 percent average, including inflation
Discount rate	3.56 percent
Healthcare cost trend rates	9 percent as of 2017, decreasing to an ultimate rate of 5 percent in 8 years.
Retirees' share of benefit-related costs	100 percent

The discount rate was based on the long-term municipal bond rate at June 30, 2017.

Mortality rates were based on mortality tables at the National Center for Health Statistics. The 2014 United States Life Tables for Males and Females were used.

The actuarial assumption for employee turnover used in the June 30, 2017 valuation was based on the results of the most recent experience study of the New Hampshire Retirement System, which was for the period July 1, 2010 – June 30, 2015.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.56%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Total OPEB Liability

The Town's total OPEB liability of \$9,581 was measured as of June 30, 2017, and was determined by the alternative method as of June 30, 2017.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances at 6/30/2017	\$ 8,833
Changes for the year:	
Service cost	1,661
Interest	341
Changes in assumptions or other inputs	287
Benefit payments	<u>(1,541)</u>
Net Changes	<u>748</u>
Balances at 6/30/2018	\$ <u>9,581</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.92 percent in 2016 to 3.56 percent in 2017. All other assumptions were the same as those used in the previous measurement.

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

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

1% Decrease (2.56%)	Current Discount Rate (3.56%)	1% Increase (4.56%)
\$ 12,317	\$ 9,581	\$ 7,516

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

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

1% Decrease (8%)	Current Healthcare Cost Trend Rates (9%)	1% Increase (10%)
\$ 8,517	\$ 9,581	\$ 10,646

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

For the year ended June 30, 2018, the Town recognized an OPEB expense of \$2,087. At June 30, 2018, the Town did not have any deferred outflows or inflows of resources related to the Total OPEB liability.

B. New Hampshire Retirement System Medical Subsidy Plan Description

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

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

Actuarial Assumptions and Other Inputs

The Town's proportionate share of the NHRS Medical Subsidy as of June 30, 2018 is based upon an actuarial valuation performed as of June 30, 2016 (rolled forward to June 30, 2017) using a measurement date of June 30, 2017. The actuarial valuation used the following actuarial assumptions:

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

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

The actuarial assumptions used in the June 30, 2016 valuation were based on the results of the most recent experience study, which was for the period July 1, 2010 – June 30, 2015.

Net OPEB Liability, Expense, and Deferred Outflows and Inflows

The Town's proportionate share of the net NHRS Medical Subsidy (net OPEB liability) as of the measurement date of June 30, 2017 was \$112,831.

For the year ended June 30, 2018, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$7,225. At June 30, 2018, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Contributions subsequent to the measurement date	\$ 15,515	\$ -
Changes in proportion	-	484
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>356</u>
Total	<u>\$ 15,515</u>	<u>\$ 840</u>

The \$15,515 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ending June 30, 2019.

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

Year Ended June 30:

2019	\$ (573)
2020	(89)
2021	(89)
2022	<u>(89)</u>
Total	\$ <u>(840)</u>

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

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

<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
\$ 122,794	\$ 112,831	\$ 104,199

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

The following consolidates the Town's total OPEB liability and related deferred outflows/inflows, and the Town's proportionate share of the NHRS Medical Subsidy net OPEB liability and related deferred outflows/inflows at June 30, 2018:

	<u>Total/Net</u> <u>OPEB</u> <u>Liability</u>	<u>Total</u> <u>Deferred</u> <u>Outflows</u> <u>of Resources</u>	<u>Total</u> <u>Deferred</u> <u>Inflows</u> <u>of Resources</u>
Town OPEB Plan	\$ 9,581	\$ -	\$ -
Proportionate share of NHRS Medical Subsidy Plan	<u>112,831</u>	<u>15,515</u>	<u>840</u>
Total	\$ <u>122,412</u>	\$ <u>15,515</u>	\$ <u>840</u>

17. Commitments and Contingencies

Outstanding Legal Issues - There are pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims 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.

18. Beginning Net Position Restatement

The beginning (July 1, 2017) net position of the Town has been restated in order to implement GASB 75.

Government-Wide Financial Statements:

	<u>Governmental Activities</u>
As previously reported	\$ 6,643,122
Implementation of GASB 75 OPEB	<u>(115,279)</u>
As restated	<u><u>\$ 6,527,843</u></u>

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

**JUNE 30, 2018
(Unaudited)**

New Hampshire Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2018	June 30, 2017	0.03116885%	\$1,532,882	\$669,119	229.09%	62.66%
June 30, 2017	June 30, 2016	0.03190078%	\$1,696,354	\$669,376	253.42%	58.30%
June 30, 2016	June 30, 2015	0.03437966%	\$1,361,960	\$652,344	208.78%	65.47%
June 30, 2015	June 30, 2014	0.03095926%	\$1,390,339	\$628,603	221.18%	66.32%

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

See Independent Auditors' Report.

**TOWN OF HOLDERNESS, NEW HAMPSHIRE
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)**

**JUNE 30, 2018
(Unaudited)**

New Hampshire Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
June 30, 2018	June 30, 2017	\$ 124,862	\$ 124,862	\$ -	\$ 669,812	18.64%
June 30, 2017	June 30, 2016	\$ 116,871	\$ 116,871	\$ -	\$ 669,119	17.47%
June 30, 2016	June 30, 2015	\$ 115,340	\$ 115,340	\$ -	\$ 669,376	17.23%
June 30, 2015	June 30, 2014	\$ 100,439	\$ 100,439	\$ -	\$ 652,344	15.40%

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

See Independent Auditors' Report.

TOWN OF HOLDERNESS, NH
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY (GASB 75)
JUNE 30, 2018
(Unaudited)

New Hampshire Retirement System Medical Subsidy						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Net OPEB Liability</u>
June 30, 2018	June 30, 2017	0.02467687%	\$112,831	\$ 669,119	16.86%	7.91%
June 30, 2017	June 30, 2016	0.02500942%	\$121,072	\$ 669,376	18.09%	5.21%

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

See Independent Auditors' Report.

**TOWN OF HOLDERNESS, NEW HAMPSHIRE
OTHER POST-EMPLOYMENT BENEFITS (OPEB)**

**SCHEDULES OF CHANGES IN THE TOTAL OPEB LIABILITY AND CONTRIBUTIONS (GASB 75)
REQUIRED SUPPLEMENTARY INFORMATION**

(Unaudited)

Town of Holderness, NH OPEB Plan *

Changes in Total OPEB Liability

	<u>2018</u>
Total OPEB liability	
Service cost	\$ 1,661
Interest on unfunded liability - time value of money	341
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	287
Benefit payments, including refunds of member contributions	<u>(1,541)</u>
Net change in total OPEB liability	748
Total OPEB liability - beginning	<u>8,833</u>
Total OPEB liability - ending	<u><u>\$ 9,581</u></u>
Covered employee payroll	\$ 669,812
Total OPEB liability as a percentage of covered employee payroll	1.43%

Does not include New Hampshire Retirement System Medical Subsidy.

Schedule of Contributions

	<u>2018</u>
Actuarially determined contribution	\$ unavailable
Contributions in relation to the actuarially determined contribution	<u>1,541</u>
Contribution deficiency (excess)	<u><u>\$ (1,541)</u></u>
Covered employee payroll	\$ 669,812
Contributions as a percentage of covered employee payroll	0.23%

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

* Does not include New Hampshire Retirement System Medical Subsidy.

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

See Independent Auditors' Report.