

TOWN OF JAFFREY, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2018

Town of Jaffrey, New Hampshire

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Jaffrey, New Hampshire

Additional Offices:

Andover, MA
Greenfield, MA
Manchester, NH
Ellsworth, ME

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 Jaffrey, New Hampshire, as of December 31, 2018, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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.

Opinion

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 Jaffrey, New Hampshire, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general and sewer funds 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 52 - 55 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

September 4, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Jaffrey, New Hampshire (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2018.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, sanitation, health and welfare, culture and recreation, conservation, and economic development. The business-type activities include water 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 water 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 much like that used for proprietary funds.

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$22,402,536 (i.e., net position), a change of \$196,815 in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$5,879,677, a change of \$(1,125,170) in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$1,513,913, a change of \$(624,213) 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).

	<u>NET POSITION</u>					
	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Current and other assets	\$ 11,853	\$ 12,102	\$ 2,557	\$ 2,612	\$ 14,410	\$ 14,714
Capital assets	<u>22,274</u>	<u>22,005</u>	<u>9,555</u>	<u>9,753</u>	<u>31,829</u>	<u>31,758</u>
Total assets	34,127	34,107	12,112	12,365	46,239	46,472
Deferred outflows of resources	737	870	34	40	771	910
Long-term liabilities outstanding	14,612	14,461	919	1,748	15,531	16,209
Other liabilities	<u>5,815</u>	<u>4,748</u>	<u>2,895</u>	<u>3,028</u>	<u>8,710</u>	<u>7,776</u>
Total liabilities	20,427	19,209	3,814	4,776	24,241	23,985
Deferred inflows of resources	351	297	16	14	367	311
Net investment in capital assets	12,644	12,155	6,663	5,685	19,307	17,840
Restricted	3,232	3,849	-	-	3,232	3,849
Unrestricted	<u>(1,790)</u>	<u>(533)</u>	<u>1,653</u>	<u>1,930</u>	<u>(137)</u>	<u>1,397</u>
Total net position	<u>\$ 14,086</u>	<u>\$ 15,471</u>	<u>\$ 8,316</u>	<u>\$ 7,615</u>	<u>\$ 22,402</u>	<u>\$ 23,086</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 \$22,402,536, a change of \$196,815 from the prior year.

The largest portion of net position \$19,307,093 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 \$3,232,633 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit balance of \$(137,190). This deficit is primarily due to the Town's portion of the New Hampshire Retirement System's net pension and other post-employment benefits liabilities.

<u>CHANGES IN NET POSITION</u>						
	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>	
	<u>Activities</u>		<u>Activities</u>			
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
Revenues:						
Program revenues:						
Charges for services	\$ 2,856	\$ 2,727	\$ 1,303	\$ 1,373	\$ 4,159	\$ 4,100
Operating grants and contributions	495	573	-	-	495	573
Capital grants and contributions	186	163	-	-	186	163
General revenues:						
Property taxes	4,516	5,107	-	-	4,516	5,107
Excises	19	24	-	-	19	24
Penalties and interest on taxes	139	137	-	-	139	137
Grants and contributions not restricted to specific programs	280	287	32	220	312	507
Investment income (loss)	(6)	262	8	1	2	263
Other	274	144	384	379	658	523
Total revenues	<u>8,759</u>	<u>9,424</u>	<u>1,727</u>	<u>1,973</u>	<u>10,486</u>	<u>11,397</u>
Expenses:						
General government	1,791	1,367	-	-	1,791	1,367
Public safety	2,280	2,065	-	-	2,280	2,065
Highways and streets	1,767	2,749	-	-	1,767	2,749
Sanitation	1,678	1,416	-	-	1,678	1,416
Health and welfare	140	160	-	-	140	160
Culture and recreation	1,034	737	-	-	1,034	737
Economic development	32	29	-	-	32	29
Interest	426	483	-	-	426	483
Water services	-	-	1,142	884	1,142	884
Total expenses	<u>9,148</u>	<u>9,006</u>	<u>1,142</u>	<u>884</u>	<u>10,290</u>	<u>9,890</u>
Change in net position before permanent fund contributions	(389)	418	585	1,089	196	1,507
Transfers in (out)	<u>(211)</u>	<u>(372)</u>	<u>211</u>	<u>372</u>	<u>-</u>	<u>-</u>
Change in net position	(600)	46	796	1,461	196	1,507
Net position - beginning of year	<u>14,686</u>	<u>15,425</u>	<u>7,520</u>	<u>6,154</u>	<u>22,206</u>	<u>21,579</u>
Net position - end of year	<u>\$ 14,086</u>	<u>\$ 15,471</u>	<u>\$ 8,316</u>	<u>\$ 7,615</u>	<u>\$ 22,402</u>	<u>\$ 23,086</u>

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

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(599,671). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ (374,497)
Major sewer fund accrual basis	103,747
Major capital project fund accrual basis	24,424
Nonmajor funds accrual basis	(109,329)
Depreciation expense in excess of principal debt service	(636,656)
Change in net pension liability and related deferred outflows/inflows	(13,405)
Change in total OPEB liability and related deferred outflows/inflows	(76,918)
Change in long-term liabilities	39,831
Other GAAP accruals	443,132
Total	<u>\$ (599,671)</u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$796,486 for water operations.

D. FINANCIAL ANALYSIS OF FUNDS

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$5,879,677, a change of \$(1,125,170) in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ (374,497)
Major sewer fund operating results	(121,950)
Major capital project fund operating results	(350,890)
Nonmajor fund operating results	<u>(277,833)</u>
Total	<u>\$ (1,125,170)</u>

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$1,513,913, while total fund balance was

\$3,006,204. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/18</u>	<u>12/31/17</u>	<u>Change</u>	% of <u>Total General Fund Expenditures</u>
Unassigned fund balance	\$ 1,513,913	\$ 2,138,126	\$ (624,213)	22.5%
Total fund balance	\$ 3,006,204	\$ 3,380,701	\$ (374,497)	44.8%

The total fund balance of the general fund changed by \$(374,497) during the current year. Key factors in this change are as follows:

Revenues less than budget	\$ 114,784
Expenditures less than budget	279,981
Use of fund balance as a funding source	(841,612)
Expenditures of current year encumbrances exceeding current prior encumbrances	(12,977)
Tax collections in excess compared to net levy	106,950
Change in capital reserve	140,380
Other	<u>(162,003)</u>
Total	<u>\$ (374,497)</u>

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

	<u>12/31/18</u>	<u>12/31/17</u>	<u>Change</u>
Capital reserve	\$ 1,120,746	\$ 980,366	\$ 140,380

E. GENERAL FUND BUDGETARY HIGHLIGHTS

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

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental at year-end amounted to \$31,829,434 (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 year included the following:

- Construction in progress of septage facility \$301,980
- Road construction for \$482,866

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

Long-term debt. At the end of the current year, total bonded debt outstanding was \$9,943,131, all of which was backed by the full faith and credit of the government.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Jaffrey, New Hampshire'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:

Board of Selectmen
Town of Jaffrey
10 Goodnow Street
Jaffrey, New Hampshire 03452

TOWN OF JAFFREY, NEW HAMPSHIRE

STATEMENT OF NET POSITION

DECEMBER 31, 2018

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 6,310,766	\$ 1,647,690	\$ 7,958,456
Investments	4,094,868	-	4,094,868
Receivables, net of allowance for uncollectibles:			
Property taxes	343,060	-	343,060
User fees	152,535	104,391	256,926
Departmental and other	69,967	-	69,967
Intergovernmental	37,495	514,342	551,837
Interfund balances	(256,865)	256,865	-
Other assets	265,081	7,629	272,710
Noncurrent:			
Receivables, net of allowance for uncollectibles			
Property taxes	387,707	-	387,707
Intergovernmental	191,560	-	191,560
Capital Assets:			
Land and construction in progress	2,034,309	2,860,082	4,894,391
Other capital assets, net of accumulated depreciation	20,239,978	6,695,065	26,935,043
Deferred Outflows of Resources			
Related to pensions	681,125	30,976	712,101
Related to OPEB	55,789	2,537	58,326
Total Assets and Deferred Outflows of Resources	34,607,375	12,119,577	46,726,952
Liabilities			
Current:			
Accounts payable	228,606	-	228,606
Due to other governments	3,395,047	-	3,395,047
Accrued expenses	127,771	18,228	145,999
Notes payable	1,088,538	2,732,193	3,820,731
Other current liabilities	33,893	2,269	36,162
Current portion of long-term liabilities:			
Bonds payable	582,954	115,000	697,954
Other	98,865	702	99,567
Noncurrent:			
Bonds payable, net of current portion	8,595,177	650,000	9,245,177
Net pension liability	4,651,163	211,527	4,862,690
Net OPEB liability	973,338	44,265	1,017,603
Other, net of current portion	393,634	13,335	406,969
Deferred Inflows of Resources			
Related to pensions	350,487	15,940	366,427
Related to OPEB	1,419	65	1,484
Total Liabilities and Deferred Inflows of Resources	20,520,892	3,803,524	24,324,416
Net Position			
Net investment in capital assets	12,643,620	6,663,473	19,307,093
Restricted for:			
Grants and other statutory restrictions	1,406,324	-	1,406,324
Permanent funds:			
Nonexpendable	1,453,532	-	1,453,532
Expendable	372,777	-	372,777
Unrestricted	(1,789,770)	1,652,580	(137,190)
Total Net Position	\$ 14,086,483	\$ 8,316,053	\$ 22,402,536

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

TOWN OF JAFFREY, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2018

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business-	Total
	<u>Expenses</u>	<u>Services</u>	<u>Grants and</u> <u>Contributions</u>	<u>Grants and</u> <u>Contributions</u>	<u>Activities</u>	<u>Type</u> <u>Activities</u>	
Governmental Activities							
General government	\$ 1,791,343	\$ 1,226,918	\$ 54,987	\$ -	\$ (509,438)	\$ -	\$ (509,438)
Public safety	2,279,573	77,018	1,202	1,203	(2,200,150)	-	(2,200,150)
Highways and streets	1,767,165	6,500	97,741	185,201	(1,477,723)	-	(1,477,723)
Sanitation	1,677,401	1,398,457	179,743	-	(99,201)	-	(99,201)
Health and welfare	139,999	1,800	-	-	(138,199)	-	(138,199)
Culture and recreation	1,033,656	145,068	161,439	-	(727,149)	-	(727,149)
Conservation	451	-	-	-	(451)	-	(451)
Economic development	32,062	-	-	-	(32,062)	-	(32,062)
Interest	426,413	-	-	-	(426,413)	-	(426,413)
Total Governmental Activities	9,148,063	2,855,761	495,112	186,404	(5,610,786)	-	(5,610,786)
Business-Type Activities							
Water services	1,142,258	1,303,158	-	-	-	160,900	160,900
Total	\$ 10,290,321	\$ 4,158,919	\$ 495,112	\$ 186,404	(5,610,786)	160,900	(5,449,886)
General Revenues and Transfers							
Property taxes					4,515,690	-	4,515,690
Excise					18,920	-	18,920
Penalties, interest and other taxes					139,181	-	139,181
Grants and contributions not restricted to specific programs					279,830	33,180	313,010
Investment income (loss)					(5,972)	7,883	1,911
Miscellaneous					274,036	383,953	657,989
Transfers (net)					(210,570)	210,570	-
Total general revenues and transfers					5,011,115	635,586	5,646,701
Change in Net Assets					(599,671)	796,486	196,815
Net Position							
Beginning of year, as restated					14,686,154	7,519,567	22,205,721
End of year					\$ 14,086,483	\$ 8,316,053	\$ 22,402,536

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

TOWN OF JAFFREY, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2018

	<u>General</u>	<u>Sewer Fund</u>	<u>Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets					
Cash and short-term investments	\$ 4,993,669	\$ 416,820	\$ 642,739	\$ 257,538	\$ 6,310,766
Investments	1,404,403	-	-	2,690,465	4,094,868
Receivables:					
Property taxes	811,963	-	-	-	811,963
Departmental and other	7,029	152,535	3,006	66,559	229,129
Intergovernmental	-	-	900	-	900
Due from other funds	56,992	-	-	-	56,992
Other assets	265,081	-	-	-	265,081
Total Assets	<u>\$ 7,539,137</u>	<u>\$ 569,355</u>	<u>\$ 646,645</u>	<u>\$ 3,014,562</u>	<u>\$ 11,769,699</u>
Liabilities					
Accounts payable	\$ 228,606	\$ -	\$ -	\$ -	\$ 228,606
Due to other funds	283,657	3,399	-	26,802	313,858
Due to other governments	3,395,047	-	-	-	3,395,047
Notes payable	-	-	1,088,538	-	1,088,538
Other liabilities	13,252	9,998	10,643	-	33,893
Total Liabilities	3,920,562	13,397	1,099,181	26,802	5,059,942
Deferred Inflows of Resources					
Unavailable revenues	612,371	152,535	-	65,174	830,080
Fund Balances					
Nonspendable	266,230	-	-	1,453,532	1,719,762
Restricted	-	385,749	-	1,469,054	1,854,803
Committed	1,120,746	-	-	-	1,120,746
Assigned	105,315	17,674	-	-	122,989
Unassigned	1,513,913	-	(452,536)	-	1,061,377
Total Fund Balance	<u>3,006,204</u>	<u>403,423</u>	<u>(452,536)</u>	<u>2,922,586</u>	<u>5,879,677</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 7,539,137</u>	<u>\$ 569,355</u>	<u>\$ 646,645</u>	<u>\$ 3,014,562</u>	<u>\$ 11,769,699</u>

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

TOWN OF JAFFREY, NEW HAMPSHIRE

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

DECEMBER 31, 2018

Total governmental fund balances	\$ 5,879,677
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	22,274,287
<ul style="list-style-type: none">• Long-term receivable not reported in governmental funds.	228,155
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	742,258
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, net pension liability, and net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(14,910,123)
<ul style="list-style-type: none">• Other	<u>(127,771)</u>
Net position of governmental activities	\$ <u>14,086,483</u>

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

TOWN OF JAFFREY, NEW HAMPSHIRE
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>General</u>	<u>Sewer Fund</u>	<u>Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues					
Taxes	\$ 4,247,765	\$ -	\$ -	\$ 518,457	\$ 4,766,222
Excise	-	-	-	18,920	18,920
Penalties, interest and other taxes	118,294	3,812	-	16,750	138,856
Charges for services	49,112	1,398,457	-	190,726	1,638,295
Intergovernmental	542,902	193,748	20,000	86,463	843,113
Licenses and permits	1,223,494	-	-	-	1,223,494
Investment income (loss)	48,682	2,612	4,109	(61,075)	(5,672)
Contributions and donations	-	-	-	13,302	13,302
Miscellaneous	<u>97,202</u>	<u>201,607</u>	<u>11,462</u>	<u>99,789</u>	<u>410,060</u>
Total Revenues	6,327,451	1,800,236	35,571	883,332	9,046,590
Expenditures					
General government	1,567,099	-	-	255,681	1,822,780
Public safety	2,052,807	-	-	71,136	2,123,943
Highways and streets	909,052	-	386,461	23,430	1,318,943
Sanitation	321,317	1,370,110	-	-	1,691,427
Health and welfare	139,999	-	-	-	139,999
Culture and recreation	530,201	-	-	457,457	987,658
Conservation	451	-	-	-	451
Economic development	32,062	-	-	-	32,062
Debt service	456,182	552,076	-	130,762	1,139,020
Capital outlay	<u>704,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>704,907</u>
Total Expenditures	<u>6,714,077</u>	<u>1,922,186</u>	<u>386,461</u>	<u>938,466</u>	<u>9,961,190</u>
Excess (deficiency) of revenues over expenditures	(386,626)	(121,950)	(350,890)	(55,134)	(914,600)
Other Financing Sources (Uses)					
Transfers in	592,699	-	-	-	592,699
Transfers out	<u>(580,570)</u>	<u>-</u>	<u>-</u>	<u>(222,699)</u>	<u>(803,269)</u>
Total Other Financing Sources (Uses)	<u>12,129</u>	<u>-</u>	<u>-</u>	<u>(222,699)</u>	<u>(210,570)</u>
Excess of revenues and other sources over expenditures and other uses	(374,497)	(121,950)	(350,890)	(277,833)	(1,125,170)
Fund Balance, at Beginning of Year, as restated	<u>3,380,701</u>	<u>525,373</u>	<u>(101,646)</u>	<u>3,200,419</u>	<u>7,004,847</u>
Fund Balance, at End of Year	<u>\$ 3,006,204</u>	<u>\$ 403,423</u>	<u>\$ (452,536)</u>	<u>\$ 2,922,586</u>	<u>\$ 5,879,677</u>

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

TOWN OF JAFFREY, NEW HAMPSHIRE

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

FOR THE YEAR ENDED DECEMBER 31, 2018

Net change in fund balances - total governmental funds	\$ (1,125,170)
<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:<ul style="list-style-type: none">Capital outlay 1,475,749Depreciation (1,205,835)The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position.<ul style="list-style-type: none">Repayments of debt 569,179Repayments of capital lease 166,861Revenues 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., real estate and personal property, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. 24,028Some 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:<ul style="list-style-type: none">Net pension liability and related deferred outflows and inflows of resources (13,405)Net OPEB liability and related deferred outflows and inflows of resources (76,918)Other (127,030)Other differences <u>(287,130)</u>	
Change in net position of governmental activities	\$ <u>(599,671)</u>

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

TOWN OF JAFFREY, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Other Sources				
Property taxes	\$ 4,140,815	\$ 4,140,815	\$ 4,140,815	\$ -
Penalties, interest and other taxes	53,954	53,954	118,294	64,340
Licenses and permits	1,061,380	1,061,380	1,223,494	162,114
Intergovernmental	576,544	576,544	542,902	(33,642)
Charges for services	40,525	40,525	49,112	8,587
Investment income	22,000	22,000	28,449	6,449
Miscellaneous	40,564	40,564	32,677	(7,887)
Transfers in	640,076	640,076	554,899	(85,177)
Use of fund balance	<u>841,612</u>	<u>841,612</u>	<u>841,612</u>	<u>-</u>
Total Revenues and Other Sources	7,417,470	7,417,470	7,532,254	114,784
Expenditures and Other Uses				
General government	1,535,544	1,535,544	1,472,033	63,511
Public safety	2,067,446	2,067,446	2,023,310	44,136
Highways and streets	990,956	990,956	960,270	30,686
Sanitation	338,429	338,429	316,681	21,748
Health and welfare	189,853	189,853	139,999	49,854
Culture and recreation	548,571	548,571	517,024	31,547
Conservation	475	475	451	24
Economic development	33,233	33,233	32,062	1,171
Debt service	680,963	680,963	666,752	14,211
Capital outlay	723,000	723,000	704,907	18,093
Transfer out	<u>309,000</u>	<u>309,000</u>	<u>304,000</u>	<u>5,000</u>
Total Expenditures and Other Uses	<u>7,417,470</u>	<u>7,417,470</u>	<u>7,137,489</u>	<u>279,981</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>394,765</u>	\$ <u>394,765</u>

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

TOWN OF JAFFREY, NEW HAMPSHIRE

SEWER FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2018

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues and Other Sources				
User fees	\$ <u>1,916,565</u>	\$ <u>1,916,565</u>	\$ <u>1,798,078</u>	\$ <u>(118,487)</u>
Total Revenues and Other Sources	1,916,565	1,916,565	1,798,078	(118,487)
Expenditures and Other Uses				
Public works	1,364,489	1,364,489	1,332,928	31,561
Debt service	<u>552,076</u>	<u>552,076</u>	<u>552,076</u>	<u>-</u>
Total Expenditures and Other Uses	<u>1,916,565</u>	<u>1,916,565</u>	<u>1,885,004</u>	<u>31,561</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u><u>-</u></u>	\$ <u><u>-</u></u>	\$ <u><u>(86,926)</u></u>	\$ <u><u>(86,926)</u></u>

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

TOWN OF JAFFREY, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

DECEMBER 31, 2018

	Business-Type Activities Enterprise Funds <u>Water Fund</u>
Assets	
Current:	
Cash and short-term investments	\$ 1,647,690
User fees, net of allowance for uncollectibles	104,391
Intergovernmental receivables	514,342
Due from other funds	283,657
Other assets	<u>7,629</u>
Total current assets	2,557,709
Noncurrent:	
Capital assets:	
Land and construction in progress	2,860,082
Other capital assets, net of accumulated depreciation	<u>6,695,065</u>
Total noncurrent assets	9,555,147
Deferred Outflows of Resources	
Related to pensions	30,976
Related to OPEB	<u>2,537</u>
Total Assets and Deferred Outflows of Resources	12,146,369
Liabilities	
Current:	
Accrued liabilities	18,228
Due to other funds	26,792
Notes payable	2,732,193
Other current liabilities	2,269
Current portion of long-term liabilities:	
Bonds payable	115,000
Other	<u>702</u>
Total current liabilities	2,895,184
Noncurrent:	
Bonds payable, net of current portion	650,000
Net pension liability	211,527
Net OPEB liability	44,265
Other, net of current portion	<u>13,335</u>
Total noncurrent liabilities	919,127
Deferred Inflows of Resources	
Related to pensions	15,940
Related to OPEB	<u>65</u>
Total Liabilities and Deferred Inflows of Resources	3,830,316
Net Position	
Net investment in capital assets	6,663,473
Unrestricted	<u>1,652,580</u>
Total Net Position	<u>\$ 8,316,053</u>

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

TOWN OF JAFFREY, NEW HAMPSHIRE

PROPRIETARY FUNDS

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

FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-Type Activities Enterprise Funds <u>Water Fund</u>
Operating Revenues	
Charges for services	\$ 1,303,158
Other	<u>383,953</u>
Total Operating Revenues	1,687,111
Operating Expenses	
Salaries and benefits	373,914
Other operating expenses	355,093
Depreciation	<u>331,794</u>
Total Operating Expenses	<u>1,060,801</u>
Operating Income	626,310
Nonoperating Revenues (Expenses)	
Intergovernmental revenue	33,180
Investment income	7,883
Interest expense	<u>(81,457)</u>
Total Nonoperating Revenues (Expenses), Net	<u>(40,394)</u>
Income Before Transfers	585,916
Transfers	
Transfers in	580,570
Transfers out	<u>(370,000)</u>
Change in Net Position	796,486
Net Position at Beginning of Year, as restated	<u>7,519,567</u>
Net Position at End of Year	<u><u>\$ 8,316,053</u></u>

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

TOWN OF JAFFREY, NEW HAMPSHIRE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Business-Type Activities Enterprise Funds <u>Water Fund</u>
Cash Flows From Operating Activities	
Receipts from customers and users	\$ 1,708,667
Payments to vendors and employees	<u>(771,753)</u>
Net Cash Provided By Operating Activities	936,914
Cash Flows From Noncapital Financing Activities	
Transfers in	<u>(73,087)</u>
Net Cash Provided By Noncapital Financing Activities	(73,087)
Cash Flows From Capital and Related Financing Activities	
Acquisition and construction of capital assets	(134,861)
Principal payments on bonds	(910,020)
Principal payments on notes	(49,506)
Interest expense	(81,457)
Other non-operating income	<u>66,360</u>
Net Cash (Used For) Capital and Related Financing Activities	(1,109,484)
Cash Flows From Investing Activities	
Investment income	<u>7,883</u>
Net Cash Provided By Investing Activities	<u>7,883</u>
Net Change in Cash and Short-Term Investments	(237,774)
Cash and Short-Term Investments, Beginning of Year	<u>1,885,464</u>
Cash and Short-Term Investments, End of Year	<u><u>\$ 1,647,690</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities	
Operating income (loss)	\$ 626,310
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	331,794
Changes in assets, liabilities, and deferred outflows/inflows:	
User fees	13,020
Other assets	(1,289)
Deferred outflows - related to pensions	8,568
Deferred outflows - related to OPEB	(2,537)
Due to other funds	(32,504)
Total OPEB liability	5,970
Net pension liability	(10,296)
Deferred inflows - related to pensions	2,440
Deferred inflows - related to OPEB	65
Other liabilities	<u>(4,627)</u>
Net Cash Provided By Operating Activities	<u><u>\$ 936,914</u></u>

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

TOWN OF JAFFREY, NEW HAMPSHIRE
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2018

	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
Assets		
Cash and short-term investments	\$ -	\$ 58,036
Investments	<u>3,923,018</u>	<u>1,214,796</u>
Total Assets	3,923,018	1,272,832
Liabilities		
Other liabilities	<u>-</u>	<u>1,272,832</u>
Total Liabilities	<u>-</u>	<u>1,272,832</u>
Net Position		
Restricted for other purposes	<u>3,923,018</u>	<u>-</u>
Total net position held in trust	<u><u>\$ 3,923,018</u></u>	<u><u>\$ -</u></u>

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

TOWN OF JAFFREY, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2018

	Private Purpose Funds
Additions	
Investment income (loss)	\$ <u>(191,948)</u>
Total additions	(191,948)
Deductions	
Other	<u>110,729</u>
Total deductions	<u>110,729</u>
Net increase (decrease)	(302,677)
Net Position	
Beginning of year	<u>4,225,695</u>
End of year	\$ <u><u>3,923,018</u></u>

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

TOWN OF JAFFREY, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Jaffrey (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. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

Fund Financial Statements

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds 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 *sewer fund* accounts for the operations of the sewer activities for the Town.
- The *capital project fund* accounts mainly for the construction of a new septage facility.

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary fund:

- Water operations

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 *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, proprietary, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash

and short-term investments”. The interest earnings attributable to each fund type are included under investment income.

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

E. Investments

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

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

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 the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$20,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	50 - 75
Vehicles	5
Office equipment	5
Computer equipment	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, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

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, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when

there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

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.

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public.

Formal budgetary integration is employed as a management control device during the year for the general fund and proprietary funds.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

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)	\$ 6,327,451	\$ 6,714,077
Other financing sources/uses (GAAP basis)	<u>592,699</u>	<u>580,570</u>
Subtotal (GAAP Basis)	6,920,150	7,294,647
Adjust tax revenue to accrual basis	(106,950)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(74,550)
Add end-of-year appropriation carryforwards from expenditures	-	61,573
To record use of fund balance	841,612	-
Other timing differences	170,012	8,009
To remove unbudgeted capital reserve fund	<u>(292,570)</u>	<u>(152,190)</u>
Budgetary basis	\$ <u>7,532,254</u>	\$ <u>7,137,489</u>
 <u>Sewer Fund</u>	 <u>Revenues and Other Financing Sources</u>	 <u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ <u>1,800,236</u>	\$ <u>1,922,186</u>
Subtotal (GAAP Basis)	1,800,236	1,922,186
Reverse beginning of year appropriation carryforwards from expenditures	-	(36,188)
Add end-of-year appropriation carryforwards from expenditures	-	17,674
Other timing differences	<u>(2,158)</u>	<u>(18,668)</u>
Budgetary basis	\$ <u>1,798,078</u>	\$ <u>1,885,004</u>

D. Deficit Fund Equity

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

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

3. Cash and Short-Term Investments

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

As of December 31, 2018, none of the Town's bank balance of \$6,197,556 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>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>	<u>Rating as of Year of Year End</u>	
				<u>Aaa</u>	<u>A</u>
U.S. Treasury notes	\$ 1,929	N/A	\$ -	\$ 1,929	\$ -
Federal agency securities	483	N/A	-	483	-
Corporate equities	4,309	N/A	4,309	-	-
Corporate bonds	1,950		-	-	1,950
Mutual funds	562	N/A	562	-	-
Total investments	<u>\$ 9,233</u>		<u>\$ 4,871</u>	<u>\$ 2,412</u>	<u>\$ 1,950</u>

B. Custodial Credit Risk

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

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

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 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):

		Investment Maturities (in Years)			
Investment Type	Amount	Less Than 1	1-5	6-10	N/A
Debt Related Securities:					
U.S. Treasury notes	\$ 1,929	\$ 462	\$ 1,418	\$ 49	\$ -
Federal agency securities	483	-	410	73	-
Corporate equities	4,309	-	-	-	4,309
Corporate bonds	1,950	209	394	447	900
Mutual funds	562	-	-	-	562
Total	\$ 9,233	\$ 671	\$ 2,222	\$ 569	\$ 5,771

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.

5. Property 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 billed or collected in advance of the year for which they are levied, are recorded as prepaid tax liability.

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.

Property taxes receivable at December 31, 2018 consist of the following (in thousands):

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate taxes	\$ 381,177	\$ (38,117)	\$ 343,060
Tax liens	<u>430,786</u>	<u>(43,079)</u>	<u>387,707</u>
Total property taxes	<u>\$ 811,963</u>	<u>\$ (81,196)</u>	<u>\$ 730,767</u>

6. Intergovernmental Receivables

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

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	\$ 56,992	\$ 283,657
Sewer Fund	-	3,399
Nonmajor Funds:		
Special Revenue Funds	-	26,801
Subtotal Nonmajor Funds	-	26,801
Water Enterprise Fund	283,657	26,792
Grand Total	\$ <u>340,649</u>	\$ <u>340,649</u>

Transfers

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

<u>Governmental Funds</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 592,699	\$ 580,570
Nonmajor Funds	-	222,699
Subtotal Governmental Funds	592,699	803,269
<u>Business-Type Funds</u>		
Water Fund	580,570	370,000
Grand Total	\$ <u>1,173,269</u>	\$ <u>1,173,269</u>

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

8. Capital Assets

Capital asset activity for the year ended December 31, 2018 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	\$ 8,941	\$ 29	\$ -	\$ 8,970
Machinery, equipment, and furnishings	6,682	391	32	7,105
Infrastructure	<u>19,925</u>	<u>680</u>	<u>-</u>	<u>20,605</u>
Total capital assets, being depreciated	35,548	1,100	32	36,680
Less accumulated depreciation for:				
Buildings and improvements	(6,812)	(285)	-	(7,097)
Machinery, equipment, and furnishings	(2,985)	(261)	-	(3,246)
Infrastructure	<u>(5,437)</u>	<u>(660)</u>	<u>-</u>	<u>(6,097)</u>
Total accumulated depreciation	<u>(15,234)</u>	<u>(1,206)</u>	<u>-</u>	<u>(16,440)</u>
Total capital assets, being depreciated, net	20,314	(106)	32	20,240
Capital assets, not being depreciated:				
Land	735	-	-	735
Construction in progress	<u>956</u>	<u>375</u>	<u>(32)</u>	<u>1,299</u>
Total capital assets, not being depreciated	<u>1,691</u>	<u>375</u>	<u>(32)</u>	<u>2,034</u>
Governmental activities capital assets, net	<u>\$ 22,005</u>	<u>\$ 269</u>	<u>\$ -</u>	<u>\$ 22,274</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	\$ 8,786	\$ -	\$ -	\$ 8,786
Machinery, equipment, and furnishings	415	86	-	501
Infrastructure	<u>3,445</u>	<u>-</u>	<u>-</u>	<u>3,445</u>
Total capital assets, being depreciated	12,646	86	-	12,732
Less accumulated depreciation for:				
Buildings and improvements	(4,105)	(221)	-	(4,326)
Machinery, equipment, and furnishings	(196)	(22)	-	(218)
Infrastructure	<u>(1,404)</u>	<u>(89)</u>	<u>-</u>	<u>(1,493)</u>
Total accumulated depreciation	<u>(5,705)</u>	<u>(332)</u>	<u>-</u>	<u>(6,037)</u>
Total capital assets, being depreciated, net	6,941	(246)	-	6,695
Capital assets, not being depreciated:				
Land	221	-	-	221
Construction in progress	<u>2,591</u>	<u>48</u>	<u>-</u>	<u>2,639</u>
Total capital assets, not being depreciated	<u>2,812</u>	<u>48</u>	<u>-</u>	<u>2,860</u>
Business-type activities capital assets, net	<u>\$ 9,753</u>	<u>\$ (198)</u>	<u>\$ -</u>	<u>\$ 9,555</u>

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

Governmental Activities	
General government	\$ 54
Public safety	87
Public works	1,015
Culture and recreation	<u>50</u>
Total depreciation expense - governmental activities	\$ <u>1,206</u>
Business-Type Activities	
Water	\$ <u>332</u>
Total depreciation expense - business-type activities	\$ <u>332</u>

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 and Accrued Expenses**

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

11. **Due to School District**

The total School District assessments for the period July 1, 2018 through June 30, 2019 were \$7,337,629. The School District assessments are paid in monthly installments. As of December 31, 2018, a total of \$3,942,582 was paid, leaving a balance of \$3,395,047 to be paid through June 30, 2019.

12. Notes Payable

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

<u>Purpose</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 12/31/18</u>
Wastewater asset management and planning	N/A	10/16/15	N/A	\$ 88,538
NH DES - Drinking Water State Revolving Loan	N/A	04/13/16	04/13/19	2,732,193
General obligation - septic	2.60%	09/04/18	09/03/19	<u>1,000,000</u>
Total				<u>\$ 3,820,731</u>

The following summarizes activity in notes payable during year 2018:

<u>Purpose</u>	<u>Balance Beginning of Year</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance End of Year</u>
Wastewater asset management and planning	\$ 100,000	\$ -	\$ (11,462)	\$ 88,538
NH DES - Drinking Water State Revolving Loan	2,781,699	-	(49,506)	2,732,193
General obligation - septic	<u>-</u>	<u>1,000,000</u>	<u>-</u>	<u>1,000,000</u>
Total	<u>\$ 2,881,699</u>	<u>\$ 1,000,000</u>	<u>\$ (60,968)</u>	<u>\$ 3,820,731</u>

13. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2019. Future minimum lease payments under the capital and operating leases consisted of the following as of December 31, 2018:

<u>Fiscal Year</u>	<u>Capital Leases</u>
2019	<u>\$ 49,982</u>
Total payments	49,982
Less amounts representing interest	<u>1,982</u>
Present Value of Minimum Lease Payments	<u>\$ 48,000</u>

14. Long-Term Debt

A. General Obligation Bonds

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

<u>Governmental Activities</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/18</u>
Sewer facility upgrade 2002	01/01/23	2.70%	\$ 233,420
Sewer facility upgrade 2005	01/01/25	3.69%	527,187
Pierce Crossing/Hadley Rd bridge	08/15/21	4.69%	105,000
Jaffrey community center	08/15/24	4.38%	80,000
AWWTF construction	02/01/32	0.72%	1,314,773
Sewer tertiary treatment/wood pellet boiler	07/01/32	2.72%	1,075,751
AWWTF construction - refunding	08/15/35	4.00%	5,695,000
Clean water loan	11/01/26	0.00%	147,000
Total Governmental Activities			<u>\$ 9,178,131</u>

<u>Business-Type Activities</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/18</u>
Water main bond	01/15/21	5.08%	\$ 225,000
Stone arch bridge	08/15/32	3.55%	540,000
Total Business-Type Activities			<u>\$ 765,000</u>

B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 582,954	\$ 214,809	\$ 797,763
2020	596,834	198,952	795,786
2021	615,816	182,600	798,416
2022	594,909	165,583	760,492
2023	604,114	149,882	753,996
2024 - 2028	2,736,617	523,590	3,260,207
2029 - 2033	2,636,887	270,373	2,907,260
2034 - 2036	810,000	36,600	846,600
Total	<u>\$ 9,178,131</u>	<u>\$ 1,742,389</u>	<u>\$ 10,920,520</u>

<u>Business-Type</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 115,000	\$ 42,457	\$ 157,457
2020	115,000	36,146	151,146
2021	115,000	29,727	144,727
2022	35,000	25,267	60,267
2023	35,000	23,034	58,034
2024 - 2028	175,000	84,645	259,645
2029 - 2033	175,000	30,665	205,665
Total	<u>\$ 765,000</u>	<u>\$ 271,941</u>	<u>\$ 1,036,941</u>

C. Changes in General Long-Term Liabilities

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
Governmental Activities						
Bonds payable	\$ 9,747	\$ -	\$ (569)	\$ 9,178	\$ (583)	\$ 8,595
Unamortized bond premium	<u>1</u>	<u>-</u>	<u>(1)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	9,748	-	(570)	9,178	(583)	8,595
Net pension liability	4,880	-	(229)	4,651	-	4,651
Net OPEB liability	785	188	-	973	-	973
Other:						
Landfill liability	179	-	(36)	143	(36)	107
Compensated absences	138	163	-	301	(15)	286
Capital lease	<u>215</u>	<u>-</u>	<u>(167)</u>	<u>48</u>	<u>(48)</u>	<u>-</u>
Subtotal - other	<u>532</u>	<u>163</u>	<u>(203)</u>	<u>492</u>	<u>(99)</u>	<u>393</u>
Totals	<u>\$ 15,945</u>	<u>\$ 351</u>	<u>\$ (1,002)</u>	<u>\$ 15,294</u>	<u>\$ (682)</u>	<u>\$ 14,612</u>
Business-Type Activities						
Bonds payable	\$ 1,675	\$ -	\$ (910)	\$ 765	\$ (115)	\$ 650
Net pension liability	222	-	(10)	212	-	212
Net OPEB liability	38	6	-	44	-	44
Other:						
Compensated absences	<u>12</u>	<u>2</u>	<u>-</u>	<u>14</u>	<u>(1)</u>	<u>13</u>
Subtotal - other	<u>12</u>	<u>2</u>	<u>-</u>	<u>14</u>	<u>(1)</u>	<u>13</u>
	<u>\$ 1,947</u>	<u>\$ 8</u>	<u>\$ (920)</u>	<u>\$ 1,035</u>	<u>\$ (116)</u>	<u>\$ 919</u>

15. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

The \$143,200 reported as landfill postclosure care liability at December 31, 2018 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2018. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

16. Deferred Inflows of Resources

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

17. Governmental Funds - Balances

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

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

The following types of fund balances are reported at December 31, 2018:

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

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

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, capital reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), 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 December 31, 2018:

	General Fund	Sewer Major Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable					
Prepaid expenses	\$ 266,230	\$ -	\$ -	\$ -	\$ 266,230
Nonexpendable permanent funds	-	-	-	1,453,532	1,453,532
Total Nonspendable	266,230	-	-	1,453,532	1,719,762
Restricted					
Sewer	-	385,749	-	-	385,749
Special revenue funds	-	-	-	1,002,900	1,002,900
Expendable permanent funds	-	-	-	372,777	372,777
Special revenue expendable trust	-	-	-	93,377	93,377
Total Restricted	-	385,749	-	1,469,054	1,854,803
Committed					
Capital reserve funds	1,120,746	-	-	-	1,120,746
Total Committed	1,120,746	-	-	-	1,120,746
Assigned					
Encumbrances					
General government	16,174	-	-	-	16,174
Public safety	31,877	-	-	-	31,877
Public works	52,012	17,674	-	-	69,686
Sanitation	4,635	-	-	-	4,635
Culture and recreation	617	-	-	-	617
Total Assigned	105,315	17,674	-	-	122,989
Unassigned					
General fund unassigned	1,513,913	-	-	-	1,513,913
Capital project funds	-	-	(452,536)	-	(452,536)
Total Unassigned	1,513,913	-	(452,536)	-	1,061,377
Total Fund Balance	\$ 3,006,204	\$ 403,423	\$ (452,536)	\$ 2,922,586	\$ 5,879,677

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	\$ 1,513,913
Unavailable revenue	<u>612,371</u>
Statutory Basis	<u>\$ 2,126,284</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 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 contributions to NHRS for the year ended December 31, 2018 was \$426,826, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

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

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

At December 31, 2018, the Town reported a liability of \$4,862,690 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, 2017. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2018, the Town's proportion was 0.10098621 percent.

For the year ended December 31, 2018, the Town recognized pension expense of \$445,104. 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	\$ 38,813	\$ 39,373
Changes of assumptions	336,522	-
Net difference between projected and actual earnings on pension plan investments	-	112,527
Changes in proportion and differences between contributions and proportionate share of contributions	95,329	214,527
Contributions subsequent to the measurement date	<u>241,437</u>	<u>-</u>
Total	<u>\$ 712,101</u>	<u>\$ 366,427</u>

The amount of \$241,437 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	\$ 170,915
2020	125,569
2021	(153,526)
2022	<u>(38,721)</u>
Total	<u>\$ 104,237</u>

F. Actuarial Assumptions

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

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

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

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience study, which was for the period January 1, 2010 – December 31, 2015.

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

<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	4.50%
Emerging Int'l Equities	<u>7.00</u>	6.00%
Total international equities	20.00	
Core Bonds	4.50	0.50%
Short Duration	2.50	-0.25%
Global Multi-Sector Fixed Income	11.00	1.80%
Unconstrained Fixed Income	<u>7.00</u>	1.14%
Total fixed income	25.00	
Private equity	5.00	6.25%
Private debt	5.00	4.25%
Opportunistic	<u>5.00</u>	2.15%
Total alternative investments	<u>15.00</u>	
Real estate	<u>10.00</u>	3.25%
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%)
\$ 6,469,849	\$ 4,862,690	\$ 4,862,690

I. Pension Plan Fiduciary Net Position

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

20. Other Post-Employment Benefits (GASB 75)

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

A. Town OPEB Plan

All the following OPEB disclosures are based on a measurement date of June 30, 2018.

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

Plan Membership

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

Inactive employees or beneficiaries	
currently receiving benefit payments	4
Active employees	<u>33</u>
Total	<u>37</u>

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by the alternative method valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.5%
Salary increases	5.6%, average, including inflation
Discount rate	3.71%
Healthcare cost trend rates	8.5% for 2018, decreasing to an ultimate rate of 4.5% in 8 years
Retirees' share of benefit-related costs	100%

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 assumptions used in the valuation were based on the results of an actuarial 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 3.71%. 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.

The discount rate was based on the municipal bond index at June 30, 2018.

Total OPEB Liability

The Town's total OPEB liability of \$550,493 was measured as of June 30, 2018, and was determined by the alternative method.

Changes in the Total OPEB Liability

	Total OPEB Liability
Balances, beginning of year	\$ 589,291
Changes for the year:	
Service cost	74,665
Interest	20,423
Changes in assumptions or other inputs	(63,576)
Benefit payments	<u>(70,310)</u>
Net Changes	<u>(38,798)</u>
Balances, end of year	\$ <u>550,493</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.31% in 2017 to 3.71% in 2018.

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

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

1% <u>Decrease</u>	Current Discount <u>Rate</u>	1% <u>Increase</u>
\$ 601,256	\$ 550,493	\$ 513,541

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

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

<u>1%</u>	<u>Current</u>	<u>1%</u>
<u>Decrease</u>	<u>Healthcare</u>	<u>Increase</u>
	<u>Cost Trend</u>	
	<u>Rates</u>	
\$ 513,778	\$ 550,493	\$ 590,146

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

For the year ended December 31, 2018, the Town recognized an OPEB expense of \$76,101. At June 30, 2018, the Town did not have any deferred outflows and inflows of resources related to the total OPEB liability.

B. New Hampshire Retirement System Medical Subsidy Plan Description

General Information about the OPEB Plan

Plan Description

In addition to the OPEB plan discussed in Note 20 A – H, 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 Fire-fighters, Group I Teachers, Group I Political Subdivision Employees and Group I State Employees. Collectively, they are referred to as the OPEB Plan.

Benefits Provided

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

The eligibility requirements for receiving OPEB Plan benefits differ for Group I and Group II members. The monthly Medical Subsidy rates are:

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

Actuarial Assumptions and Other Inputs

The Town's proportionate share of the NHRS Medical Subsidy as of June 30, 2018 is based upon an actuarial valuation performed as of June 30, 2017 (rolled forward to June 30, 2018) using a measurement date of June 30, 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, 2018 was \$467,110.

For the year ended December 31, 2018, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$156,597. At December 31, 2018, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Contributions subsequent to the measurement date	\$ 23,659	\$ -
Difference between expected and actual experience	2,742	-
Changes in proportion	31,925	-
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>1,484</u>
Total	\$ <u>58,326</u>	\$ <u>1,484</u>

The \$23,659 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in 2019.

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

2019	\$ 34,204
2020	(463)
2021	(463)
2022	<u>(95)</u>
Total	\$ <u>33,183</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% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 486,170	\$ 467,110	\$ 413,719

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

The following consolidates the Town's total OPEB liability and related deferred outflows/inflows, and the Town's proportionate share of the NHRS

Medical Subsidy net OPEB liability and related deferred outflows/inflows at December 31, 2018:

	Net OPEB <u>Liability</u>	Total Deferred Outflows <u>of Resources</u>	Total Deferred Inflows <u>of Resources</u>
Town OPEB Plan	\$ 550,493	\$ -	\$ -
Proportionate share of NHRS Medical Subsidy Plan	<u>467,110</u>	<u>58,326</u>	<u>1,484</u>
Total	\$ <u>1,017,603</u>	\$ <u>58,326</u>	\$ <u>1,484</u>

21. Commitments and Contingencies

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/Net Position Restatement

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

Government-Wide Financial Statements:

	Governmental <u>Activities</u>	Business- Type Activities <u>Water Fund</u>
As previously reported	\$ 15,471,421	\$ 7,614,646
Implementation of GASB 75 OPEB	(842,047)	(38,299)
Prior period reclassification	<u>56,780</u>	<u>(56,780)</u>
As restated	\$ <u>14,686,154</u>	\$ <u>7,519,567</u>

Fund Basis Financial Statements

	General <u>Fund</u>	Sewer Fund	Capital Project <u>Fund</u>	Nonmajor <u>Funds</u>
As previously reported	\$ 3,116,701	\$ 702,176	\$ -	\$ 3,129,190
Prior period reclassification	264,000	(176,803)	-	(30,417)
Change in major fund	<u>-</u>	<u>-</u>	<u>(101,646)</u>	<u>101,646</u>
As restated	\$ <u>3,380,701</u>	\$ <u>525,373</u>	\$ <u>(101,646)</u>	\$ <u>3,200,419</u>

TOWN OF JAFFREY, NEW HAMPSHIRE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE (GASB 68)
OF THE NET PENSION LIABILITY

DECEMBER 31, 2018
(Unaudited)

New Hampshire Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
December 31, 2018	June 30, 2018	0.1010%	\$4,862,690	\$ 2,779,378	174.96%	64.73%
December 31, 2017	June 30, 2017	0.1037%	\$4,862,690	\$ 2,767,383	175.71%	62.70%
December 31, 2016	June 30, 2016	0.1074%	\$5,710,698	\$ 2,793,907	204.40%	58.30%
December 31, 2015	June 30, 2015	0.1036%	\$4,102,455	\$ 1,212,471	338.35%	65.47%

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

See Independent Auditors' Report.

TOWN OF JAFFREY, NEW HAMPSHIRE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

DECEMBER 31, 2018
(Unaudited)

New Hampshire Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2018	June 30, 2018	\$ 426,826	\$ 426,826	\$ -	\$ 2,779,378	15.36%
December 31, 2017	June 30, 2017	\$ 380,045	\$ 380,045	\$ -	\$ 2,767,383	13.73%
December 31, 2016	June 30, 2016	\$ 384,550	\$ 384,550	\$ -	\$ 2,793,907	13.76%
December 31, 2015	June 30, 2015	\$ 364,277	\$ 364,277	\$ -	\$ 1,212,471	30.04%

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

See Independent Auditors' Report.

TOWN OF JAFFREY, NEW HAMPSHIRE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY (GASB 75)
DECEMBER 31, 2018

(Unaudited)

New Hampshire Retirement System Medical Subsidy						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Net OPEB Liability</u>
December 31, 2018	June 30, 2018	0.10202%	\$467,110	\$ 2,807,925	16.64%	7.53%

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

See Independent Auditors' Report.

TOWN OF JAFFREY, NEW HAMPSHIRE
REQUIRED SUPPLEMENTARY INFORMATION
OTHER POST-EMPLOYMENT BENEFITS (OPEB)
SCHEDULES OF CHANGES IN THE TOTAL OPEB LIABILITY AND CONTRIBUTIONS (GASB 75)

(Unaudited)

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 74,665
Interest on unfunded liability - time value of \$	20,423
Changes of assumptions	(63,576)
Benefit payments, including refunds of member contributions	<u>(70,310)</u>
Net change in total OPEB liability	(38,798)
Total OPEB liability - beginning	<u>589,291</u>
Total OPEB liability - ending	<u><u>\$ 550,493</u></u>

Does not include New Hampshire Retirement System Medical Subsidy.

	<u>2018</u>
Schedule of Contributions	
Actuarially determined contribution	\$ 45,128
Contributions in relation to the actuarially determined contribution	<u>45,128</u>
Contribution deficiency (excess)	<u><u>\$ -</u></u>

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

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

See Independent Auditors' Report.