

TOWN OF MILTON, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2017

TOWN OF MILTON, NEW HAMPSHIRE

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Milton, New Hampshire

Additional Offices:
Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Milton, New Hampshire as of December 31, 2017, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the OPEB, and the Pension schedules appearing on pages 43 to 45 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 26, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of 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 fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) 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, sewer, health, welfare, culture and recreation, and conservation.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into two categories: governmental funds and fiduciary funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. 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 fiscal year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$6,053,104 (i.e., net position), a change of \$501,418 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$3,948,483, a change of \$ 352,772 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$1,564,119, a change of \$268,727 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

NET POSITION

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 8,348,219	\$ 7,927,789
Capital assets	6,862,378	6,711,954
Total assets	<u>15,210,597</u>	<u>14,639,743</u>
Deferred outflows	556,559	902,929
Current liabilities	3,738,236	3,590,658
Noncurrent liabilities	<u>5,819,499</u>	<u>6,275,951</u>
Total liabilities	<u>9,557,735</u>	<u>9,866,609</u>
Deferred inflows	156,317	124,377
Net position:		
Net investment in capital assets	3,389,389	3,585,651
Restricted	1,547,815	1,593,153
Unrestricted	<u>1,115,900</u>	<u>372,882</u>
Total net position	<u>\$ 6,053,104</u>	<u>\$ 5,551,686</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 \$6,053,104, a change of \$501,418 from the prior year.

The largest portion of net position, \$3,389,389, 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, \$1,547,815, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$1,115,900, may be used to meet the Town's ongoing obligations to citizens and creditors.

CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 343,998	\$ 314,843
Operating grants and contributions	224,008	12,928
General revenues:		
Property taxes	2,888,299	3,190,834
Licenses and permits	880,875	821,117
Penalties and interest on taxes	146,807	128,827
Grants and contributions not restricted to specific programs	473,873	364,844
Investment income	374,841	235,899
Other	98,989	145,368
Total revenues	<u>5,431,690</u>	<u>5,214,660</u>
Expenses:		
General government	1,385,499	1,253,152
Public safety	1,744,304	1,954,235
Highway and streets	947,957	936,287
Sanitation	262,218	224,071
Sewer	82,581	76,859
Health	19,100	17,443
Welfare	28,197	48,213
Culture and recreation	347,880	295,214
Conservation	17,973	25,027
Interest on long-term debt	94,563	61,629
Total expenses	<u>4,930,272</u>	<u>4,892,130</u>
Change in net position	501,418	322,530
Net position - beginning of year	<u>5,551,686</u>	<u>5,229,156</u>
Net position - end of year	<u>\$ 6,053,104</u>	<u>\$ 5,551,686</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$501,418. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 482,390
Nonmajor fund activities, accrual basis	(129,618)
Depreciation expense in excess of principal debt service	(91,485)
Other	<u>240,131</u>
Total	<u>\$ 501,418</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$3,948,483, a change of \$352,772 in comparison to the prior year. Key elements of this change are as follows:

General fund operations	\$ 482,390
Nonmajor fund activities	<u>(129,618)</u>
Total	<u>\$ 352,772</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,564,119, while total fund balance was \$2,372,966. 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>12/31/17</u>	<u>12/31/16</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 1,564,119	\$ 1,295,392	\$ 268,727	36.3%
Total fund balance	\$ 2,372,966	\$ 1,890,576	\$ 482,390	55.0%

The total fund balance of the general fund changed by \$482,390 during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$	(601,500)
Revenues in excess of budget		521,823
Expenditures in excess of budget		407,636
Current year encumbrances over prior year		73,913
Adjust tax revenue to budgetary basis		51,892
Change in capital reserves		<u>28,626</u>
Total	\$	<u>482,390</u>

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

	<u>12/31/17</u>	<u>12/31/16</u>	<u>Change</u>
Capital reserves	\$ <u>454,304</u>	\$ <u>425,678</u>	\$ <u>28,626</u>
Total	\$ <u>454,304</u>	\$ <u>425,678</u>	\$ <u>28,626</u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There was no difference between the original budget and final amended budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental at year-end amounted to \$6,862,378 (net of accumulated depreciation), a change of \$150,424 from the prior year. This investment in capital assets includes land, buildings, improvements, and machinery and equipment.

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

Governmental Activities:

New Additions to Construction in Progress:

2017 Ford Ambulance	\$	24,400
2017 Ford F250 Highway Truck		37,424
2017 Ford F250 Fire vehicle		32,075

New Additions to Construction in Progress:

New Fire Station	\$	84,531
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Additional information on capital assets can be found in the Notes to the Financial Statements.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$2,441,746, all of which was backed by the full faith and credit of the government.

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

REQUESTS FOR INFORMATION

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

Selectmen's Office
Town of Milton
424 White Mountain Highway
P.O. Box 310
Milton, NH 03851

TOWN OF MILTON, NEW HAMPSHIRE

STATEMENT OF NET POSITION

DECEMBER 31, 2017

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 5,883,518
Investments	939,464
Receivables, net of allowance for uncollectible:	
Property taxes	804,493
User fees	90,318
Intergovernmental	33,700
Due from external parties	720
Other assets	91,145
Noncurrent:	
Receivables, net of allowance for uncollectible:	
Property taxes	475,755
Other assets	29,106
Capital assets:	
Land and construction in progress	4,641,152
Other capital assets, net of accumulated depreciation	2,221,226
DEFERRED OUTFLOWS OF RESOURCES	
Related to pensions	<u>556,559</u>
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	15,767,156
LIABILITIES	
Current:	
Accounts payable	218,586
Accrued liabilities	122,001
Due to school district	3,077,869
Due to other governments	4,856
Current portion of long-term liabilities:	
Bonds payable	143,141
Other	171,783
Noncurrent:	
Bonds payable, net of current portion	2,298,605
Net pension liability	2,739,990
Net OPEB obligation	145,647
Other, net of current portion	635,257
DEFERRED INFLOWS OF RESOURCES	
Related to pensions	<u>156,317</u>
TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES	9,714,052
NET POSITION	
Net investment in capital assets	3,389,389
Restricted for:	
Grants and other statutory restrictions	1,114,175
Permanent funds:	
Nonexpendable	319,553
Expendable	114,087
Unrestricted	<u>1,115,900</u>
TOTAL NET POSITION	\$ <u>6,053,104</u>

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

TOWN OF MILTON, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2017

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General government	\$ 1,385,499	\$ 41,911	\$ -	\$ -	\$ (1,343,588)
Public safety	1,744,304	39,408	-	-	(1,704,896)
Highway and streets	947,957	-	-	-	(947,957)
Sanitation	262,218	85,221	-	-	(176,997)
Sewer	82,581	91,183	-	-	8,602
Health	19,100	86,275	-	-	67,175
Welfare	28,197	-	-	-	(28,197)
Culture and recreation	347,880	-	224,008	-	(123,872)
Conservation	17,973	-	-	-	(17,973)
Interest	94,563	-	-	-	(94,563)
Total Governmental Activities	\$ 4,930,272	\$ 343,998	\$ 224,008	\$ -	(4,362,266)
		General Revenues:			
					2,888,299
					880,875
					146,807
					473,873
					374,841
					98,989
					4,863,684
					501,418
		Net Position:			
					5,551,686
					\$ 6,053,104

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

TOWN OF MILTON, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2017

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 4,402,082	\$ 1,481,436	\$ 5,883,518
Investments	505,824	433,640	939,464
Receivables:		-	
Property taxes	1,325,984	-	1,325,984
User fees	-	418,434	418,434
Due from other funds	540,719	109,331	650,050
Due from other governments	-	33,700	33,700
Other assets	91,145	1,617	92,762
TOTAL ASSETS	\$ <u>6,865,754</u>	\$ <u>2,478,158</u>	\$ <u>9,343,912</u>
LIABILITIES			
Accounts payable	\$ 219,856	\$ -	\$ 219,856
Accrued liabilities	74,881	-	74,881
Due to other funds	109,331	539,999	649,330
Due to school district	3,077,869	-	3,077,869
Due to other governments	4,856	-	4,856
TOTAL LIABILITIES	3,486,793	539,999	4,026,792
DEFERRED INFLOWS OF RESOURCES	1,005,995	362,642	1,368,637
FUND BALANCES			
Nonspendable	91,145	319,553	410,698
Restricted	-	1,255,964	1,255,964
Committed	454,304	-	454,304
Assigned	263,398	-	263,398
Unassigned	1,564,119	-	1,564,119
TOTAL FUND BALANCES	<u>2,372,966</u>	<u>1,575,517</u>	<u>3,948,483</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	\$ <u>6,865,754</u>	\$ <u>2,478,158</u>	\$ <u>9,343,912</u>

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

TOWN OF MILTON, NEW HAMPSHIRE

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

DECEMBER 31, 2017

Total governmental fund balances	\$ 3,948,483
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	6,862,378
• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,023,544
• Long-term liabilities, including bonds payable, net pension liability, net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(5,819,499)
• Other	<u>38,198</u>
Net position of governmental activities	<u><u>\$ 6,053,104</u></u>

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

TOWN OF MILTON, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Property taxes	\$ 2,997,751	\$ -	\$ 2,997,751
Penalties, interest and other taxes	144,256	2,551	146,807
Charges for services	53,162	256,310	309,472
Intergovernmental	473,873	-	473,873
Licenses and permits	880,875	-	880,875
Investment income	28,777	346,064	374,841
Contributions	-	224,008	224,008
Miscellaneous	99,591	-	99,591
Total Revenues	<u>4,678,285</u>	<u>828,933</u>	<u>5,507,218</u>
Expenditures:			
Current:			
General government	1,320,890	32,948	1,353,838
Public safety	1,386,795	517,524	1,904,319
Highway and streets	853,669	-	853,669
Sanitation	169,904	73,988	243,892
Sewer	-	82,581	82,581
Health	19,100	-	19,100
Welfare	28,046	-	28,046
Culture and recreation	111,983	238,807	350,790
Conservation	5,270	12,703	17,973
Miscellaneous	-	-	-
Debt service	415,032	-	415,032
Total Expenditures	<u>4,310,689</u>	<u>958,551</u>	<u>5,269,240</u>
Excess (deficiency) of revenues over expenditures	367,596	(129,618)	237,978
Other Financing Sources (Uses):			
Capital lease proceeds	114,794	-	114,794
Total Other Financing Sources (Uses)	<u>114,794</u>	<u>-</u>	<u>114,794</u>
Change in fund balance	482,390	(129,618)	352,772
Fund Equity, at Beginning of Year, as restated	<u>1,890,576</u>	<u>1,705,135</u>	<u>3,595,711</u>
Fund Equity, at End of Year	<u>\$ 2,372,966</u>	<u>\$ 1,575,517</u>	<u>\$ 3,948,483</u>

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

TOWN OF MILTON, NEW HAMPSHIRE

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

FOR THE YEAR ENDED DECEMBER 31, 2017

Net changes in fund balances - total governmental funds	\$ 352,772														
<ul style="list-style-type: none"> Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table> <tr> <td>Capital outlay purchases, net of disposals</td> <td style="text-align: right;">418,750</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(268,326)</td> </tr> </table> The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table> <tr> <td>Issuance of capital lease</td> <td style="text-align: right;">(114,794)</td> </tr> <tr> <td>Repayments of debt</td> <td style="text-align: right;">176,841</td> </tr> <tr> <td>Repayment of capital lease</td> <td style="text-align: right;">179,499</td> </tr> </table> Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate) differ between the two statements. This amount represents the net change in deferred revenue. <table> <tr> <td></td> <td style="text-align: right;">(99,243)</td> </tr> </table> Other differences <table> <tr> <td></td> <td style="text-align: right;"><u>(144,081)</u></td> </tr> </table> 		Capital outlay purchases, net of disposals	418,750	Depreciation	(268,326)	Issuance of capital lease	(114,794)	Repayments of debt	176,841	Repayment of capital lease	179,499		(99,243)		<u>(144,081)</u>
Capital outlay purchases, net of disposals	418,750														
Depreciation	(268,326)														
Issuance of capital lease	(114,794)														
Repayments of debt	176,841														
Repayment of capital lease	179,499														
	(99,243)														
	<u>(144,081)</u>														
Change in net position of governmental activities	\$ <u>501,418</u>														

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

TOWN OF MILTON, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Taxes	\$ 2,945,859	\$ 2,945,859	\$ 2,945,859	\$ -
Penalties, interest and other taxes	117,091	117,091	144,256	27,165
Charges for services	26,000	26,000	53,162	27,162
Intergovernmental	363,658	363,658	473,873	110,215
Licenses and permits	574,000	574,000	880,875	306,875
Investment income	5,500	5,500	14,209	8,709
Miscellaneous	53,582	53,582	95,279	41,697
Use of fund balance	601,500	601,500	601,500	-
Total Revenues and Other Sources	4,687,190	4,687,190	5,209,013	521,823
Expenditures and Other Uses:				
General government	1,446,584	1,446,584	1,279,291	167,293
Public safety	1,408,281	1,408,281	1,216,996	191,285
Highway and streets	645,750	645,750	651,189	(5,439)
Sanitation	180,293	180,293	169,904	10,389
Health	17,812	17,812	19,100	(1,288)
Welfare	81,449	81,449	28,046	53,403
Culture and recreation	113,237	113,237	113,226	11
Conservation	9,098	9,098	5,270	3,828
Debt service	403,186	403,186	415,032	(11,846)
Capital outlay	290,000	290,000	290,000	-
Transfers out	91,500	91,500	91,500	-
Total Expenditures and Other Uses	4,687,190	4,687,190	4,279,554	407,636
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 929,459	\$ 929,459

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

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

	<u>Private Purpose Trust Funds</u>	<u>Agency Funds</u>
<u>ASSETS</u>		
Cash and short-term investments	\$ -	\$ 51,434
Investments	<u>490,269</u>	<u>416,758</u>
Total Assets	490,269	468,192
 <u>LIABILITIES AND NET POSITION</u>		
Due to external parties	-	720
Due to other governments	-	416,758
Other liabilities	<u>-</u>	<u>50,714</u>
Total Liabilities	<u>-</u>	<u>468,192</u>
 <u>NET POSITION</u>		
Total net position held in trust	<u>\$ 490,269</u>	<u>\$ -</u>

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

TOWN OF MILTON, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Private Purpose Trust Funds</u>
Additions:	
Contributions	\$ 6,126
Interest income	<u>36,485</u>
Total additions	42,611
Deductions:	
Other	<u>2,375</u>
Total deductions	<u>2,375</u>
Net increase	40,236
Net position:	
Beginning of year	<u>450,033</u>
End of year	<u><u>\$ 490,269</u></u>

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

Town of Milton, New Hampshire

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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

Fund Financial Statements

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

- 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 *private-purpose trust fund* is used to account for trust arrangements, under which principal and investment income exclusively benefits individuals, private organizations, or other governments.

The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities and, therefore, have no measurement focus.

D. Cash and Short-Term Investments

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

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

E. Investments

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

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

F. Interfund Receivables and Payables

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

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental activities columns in the government-wide financial statements. Capital assets are defined by the as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of one year. 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.

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

<u>Assets</u>	<u>Years</u>
Buildings and building improvements	10-100
Infrastructure	50
Equipment and vehicles	5-20

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 financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

I. Long-Term Obligations

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

J. Fund Equity

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

Fund Balance - Generally, fund balance represents the difference between the current assets and current liabilities/deferred inflows. The 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 uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

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

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

K. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

B. Budgetary Basis

The general fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all 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)	\$ 4,678,285	\$ 4,310,689
Other financing sources/uses (GAAP Basis)	<u>114,794</u>	<u>-</u>
Subtotal (GAAP Basis)	4,793,079	4,310,689
Adjust tax revenue to accrual basis	(51,892)	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(79,268)
Add end-of-year appropriation carryforwards from expenditures	-	153,181
To eliminate capital reserve activity	(18,880)	9,746
Recognize use of fund balance as funding source	601,500	-
Other GAAP timing differences	<u>(114,794)</u>	<u>(114,794)</u>
Budgetary Basis	<u>\$ 5,209,013</u>	<u>\$ 4,279,554</u>

3. Cash and Short-Term Investments

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

As of December 31, 2017, none of the Town's bank balance of \$6,478,348 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be

expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Presented below is the actual rating as of year-end for each investment of the Town.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Legal Rating</u>	<u>Exempt From Disclosure</u>
Corporate equities	\$ 499,503	N/A	\$ 499,503
Mutual funds	<u>1,346,988</u>	N/A	<u>1,346,988</u>
Total investments	\$ <u>1,846,491</u>		\$ <u>1,846,491</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 places no limit on the amount the Town may invest in any one issuer. The Town does not have an investment in one issuer greater than 5% of total investments.

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

E. Foreign Currency Risk

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

F. Fair Value

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

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

<u>Description</u>	<u>Fair Value Measurements Using</u> Quoted prices in active markets identical assets <u>(Level 1)</u>	
Investments by fair value level:		
Debt securities		
Mutual funds	\$ 1,346,988	\$ 1,346,988
Equity securities	<u>499,503</u>	499,503
Total	<u>\$ 1,846,491</u>	

5. Taxes Receivable

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied. Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. In August of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs, and accrued interest. The accounts that are liened by the will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

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

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate taxes	\$ 804,493	\$ -	\$ 804,493
Tax liens	<u>521,491</u>	<u>(45,736)</u>	<u>475,755</u>
Total property taxes	<u>\$ 1,325,984</u>	<u>\$ (45,736)</u>	<u>\$ 1,280,248</u>

Taxes Collected for Others

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

6. User Fee Receivables

Receivables for user charges at December 31, 2017 consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
<u>Receivables:</u>			
Ambulance	\$ 394,224	\$ (325,695)	\$ 68,529
Sewer	22,143	(2,421)	19,722
Police detail	2,067	-	2,067
Total	<u>\$ 418,434</u>	<u>\$ (328,116)</u>	<u>\$ 90,318</u>

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 the December 31, 2017 interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 540,719	\$ 109,331
Nonmajor Funds:		
Special Revenue Funds	109,331	412,601
Capital Project Funds:	-	127,398
Subtotal Nonmajor Funds	<u>109,331</u>	<u>539,999</u>
Trust and Agency Funds:		
Agency Fund	-	720
Total	<u>\$ 650,050</u>	<u>\$ 650,050</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 Town transferred \$91,500 to capital reserves during the year as reflected on the General Fund Statement of Revenues and Other Sources, and Expenditures and Other Uses – Budget and Actual.

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, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 611,703	\$ -	\$ -	\$ 611,703
Machinery, equipment, and furnishings	3,351,995	334,219	-	3,686,214
Infrastructure	123,522	-	-	123,522
Total capital assets, being depreciated	4,087,220	334,219	-	4,421,439
Less accumulated depreciation for:				
Buildings and improvements	(187,743)	(16,291)	-	(204,034)
Machinery, equipment, and furnishings	(1,712,029)	(249,565)	-	(1,961,594)
Infrastructure	(32,115)	(2,470)	-	(34,585)
Total accumulated depreciation	(1,931,887)	(268,326)	-	(2,200,213)
Total capital assets, being depreciated, net	2,155,333	65,893	-	2,221,226
Capital assets, not being depreciated:				
Land	1,728,600	-	-	1,728,600
Construction in progress	2,828,021	84,531	-	2,912,552
Total capital assets, not being depreciated	4,556,621	84,531	-	4,641,152
Governmental activities capital assets, net	\$ 6,711,954	\$ 150,424	\$ -	\$ 6,862,378

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

Governmental Activities:	
General government	\$ 3,514
Public safety	126,112
Highway and streets	112,698
Sanitation	16,831
Culture and recreation	9,171
Total depreciation expense - governmental activities	\$ 268,326

9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions, in accordance with GASB Statement No. 68, Accounting and Financial Reporting for Pensions, are more fully discussed in Note 17.

10. Accounts Payable and Accrued Expenses

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

11. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2024. Future minimum lease payments under the capital and operating leases consisted of the following as of December 31, 2017:

<u>Fiscal</u> <u>Year</u>	<u>Capital</u> <u>Leases</u>
2018	\$ 168,345
2019	127,436
2020	127,437
2021	97,173
2022	26,792
Thereafter	<u>53,585</u>
Total minimum lease payments	600,768
Less amounts representing interest	<u>45,775</u>
Present Value of Minimum Lease Payments	<u>\$ 554,993</u>

12. 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 activities. General obligation bonds currently outstanding are as follows:

	Serial Maturities Through	Interest Rate(s) %	Amount Outstanding as of 12/31/17
<u>Governmental Activities:</u>			
Fire & EMS Facility	06/30/31	2.98%	\$ <u>2,441,746</u>
Total Governmental Activities:			\$ <u><u>2,441,746</u></u>

B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 143,141	\$ 72,662	\$ 215,803
2019	147,400	68,403	215,803
2020	151,787	64,016	215,803
2021	156,304	59,499	215,803
2022	160,955	54,848	215,803
2023 - 2027	879,536	199,479	1,079,015
2028 - 2032	<u>802,623</u>	<u>60,589</u>	<u>863,212</u>
Total	\$ <u><u>2,441,746</u></u>	\$ <u><u>579,496</u></u>	\$ <u><u>3,021,242</u></u>

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

General fund	\$ <u>2,441,746</u>
Total	\$ <u><u>2,441,746</u></u>

C. Changes in General Long-Term Liabilities

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

	Total Balance 1/1/17	Additions	Reductions	Total Balance 12/31/17	Less Current Portion	Equals Long-Term Portion 12/31/17
<u>Governmental Activities</u>						
Bonds payable	\$ 2,618,587	\$ -	\$ (176,841)	\$ 2,441,746	\$ (143,141)	\$ 2,298,605
Net pension liability	3,004,714	-	(264,724)	2,739,990	-	2,739,990
Net OPEB obligation	129,464	16,183	-	145,647	-	145,647
Other:						
Landfill closure	180,240	-	(11,265)	168,975	(11,265)	157,710
Compensated absences	69,049	14,023	-	83,072	(8,307)	74,765
Capital lease	<u>619,698</u>	<u>114,794</u>	<u>(179,499)</u>	<u>554,993</u>	<u>(152,211)</u>	<u>402,782</u>
Subtotal - other	<u>868,987</u>	<u>128,817</u>	<u>(190,764)</u>	<u>807,040</u>	<u>(171,783)</u>	<u>635,257</u>
Totals	\$ <u><u>6,621,752</u></u>	\$ <u><u>145,000</u></u>	\$ <u><u>(632,329)</u></u>	\$ <u><u>6,134,423</u></u>	\$ <u><u>(314,924)</u></u>	\$ <u><u>5,819,499</u></u>

13. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for thirty years after closure.

The \$168,975 reported as landfill closure and postclosure care liability at December 31, 2017 represents that cumulative amount reported to date based on the use of 100% of the estimated capacity of the landfill. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

14. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The Town reports two items as deferred inflows of resources: one which is attributable to changes in the net pension liability, and the other which arises from the current financial resources measurement focus and the modified accrual basis of accounting in governmental funds. Deferred inflows of resources related to pension will be recognized in pension expense in future years and is more fully described in Note 17. *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.

15. Governmental Funds - Balances

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

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

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

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

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

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing special article appropriations approved at Town Meeting, capital reserve funds 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 departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and surplus set aside to be used in the subsequent year's budget.

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

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

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable			
Prepaid expenditures	\$ 91,145	\$ -	\$ 91,145
Nonexpendable permanent funds	-	319,553	319,553
Total Nonexpendable	91,145	319,553	410,698
Restricted			
Bonded projects	-	27,702	27,702
Special revenue funds	-	1,114,175	1,114,175
Expendable permanent funds	-	114,087	114,087
Total Restricted	-	1,255,964	1,255,964
Committed			
Capital reserve funds	454,304	-	454,304
Total Committed	454,304	-	454,304
Assigned			
Encumbrances:			
General government	-	-	-
Public safety	9,500	-	9,500
Highway and streets	112,242	-	112,242
Culture and recreation	5,771	-	5,771
Capital Outlay	135,885	-	135,885
Total Assigned	263,398	-	263,398
Unassigned			
Unassigned	1,564,119	-	1,564,119
Total Unassigned	1,564,119	-	1,564,119
Total Fund Balance	\$ 2,372,966	\$ 1,575,517	\$ 3,948,483

16. General Fund Unassigned Fund Balance

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

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

GAAP basis balance	\$ 1,564,119
Unavailable revenue	1,005,995
Allowance for doubtful accounts	(45,736)
Tax deeded property	<u>28,759</u>
Tax Rate Setting Balance	<u>\$ 2,553,137</u>

17. **Retirement System**

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the State of New Hampshire Retirement System (NHRS).

A. Plan Description

Full-time employees participate in the New Hampshire Retirement System (NHRS), a cost sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

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

B. Benefits Provided

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

(AFC), multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

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

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

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, for which the contribution rates are 7% for employees and teachers, 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.86% to 25.32% of covered compensation. The Town's contribution to NHRS for the year ended December 31, 2017 was \$210,500, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

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

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

At December 31, 2017, the Town reported a liability of \$2,739,990 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2017, the Town's proportion was .05571358 percent.

For the year ended December 31, 2017, the Town recognized pension expense of \$324,208. 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	\$ 6,213	\$ 34,872
Changes of assumptions	275,131	-
Net difference between projected and actual earnings on pension plan investments	-	34,895
Changes in proportion and differences between contributions and proportionate share of contributions	163,056	86,550
Contributions subsequent to the measurement date	<u>112,159</u>	<u>-</u>
Total	<u>\$ 556,559</u>	<u>\$ 156,317</u>

The \$112,159 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2018	\$ 83,996
2019	157,875
2020	98,679
2021	<u>(52,467)</u>
Total	<u>\$ 288,083</u>

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

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

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

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

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

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

F. 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.

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

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

<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
\$ 3,609,799	\$ 2,739,990	\$ 2,027,216

H. Pension Plan Fiduciary Net Position

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

18. Post-Employment Healthcare and Life Insurance Benefits

Other Post-Employment Benefits

GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather

than when they use their post-employment benefit. To the extent that an entity does not fund their actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

A. Plan Description

The Town provides its eligible retirees, including in some cases their beneficiaries (as governed by RSA 100-A:50), the ability to purchase health, dental, and prescription insurance at the Town's group rates. Although the Town does not supplement the cost of these plans, GASB Statement 45 requires the Town to recognize the liability for the inclusion of any implicit rate subsidies afforded its retirees. This subsidy is generated as a result of the basic nature of insurance – one risk group subsidizes another to arrive at a blended premium; therefore, current employees who are young and healthy subsidize the older retirees. As of December 31, 2017, there were 2 retiree subscribers, including eligible spouses and dependents, and 22 active employees meet the eligibility requirements. The plan does not issue a separate financial report.

B. Benefits Provided

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

C. Funding Policy

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

D. Annual OPEB Costs and Net OPEB Obligation

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

Annual Required Contribution (ARC)	\$ 47,670
Interest on net OPEB obligation	<u>1,430</u>
Annual OPEB cost	49,100
Contributions made	<u>(32,917)</u>
Increase in net OPEB obligation	16,183
Net OPEB obligation - beginning of year	<u>129,464</u>
Net OPEB obligation - end of year	<u>\$ 145,647</u>

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

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 49,100	67.04%	\$ 145,647
2016	\$ 49,100	67.04%	\$ 129,464

* Town of Milton, NH implemented GASB Statement 45 in 2016.

E. Funded Status and Funding Progress

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

Actuarial accrued liability (AAL)	\$ 857,635
Actuarial value of plan assets	<u>-</u>
Unfunded actuarial accrued liability (UAAL)	<u>\$ 857,635</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0%</u>
Covered payroll (active plan members)	<u>\$ 1,267,414</u>
UAAL as a percentage of covered payroll	<u>67.67%</u>

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

of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

F. Actuarial Methods and Assumptions

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

In the December 31, 2017 valuation, the projected unit credit cost method was used. The value of assets was not determined, as the Town has not advance funded its obligation. The assumptions included a 3% investment rate of return and an initial annual healthcare cost trend rate of 10%, which decreases to a 5% long-term rate for all healthcare benefits after five years. The amortization costs for the initial UAAL is a level percentage of payroll for a period of 30 years, on a closed basis. This has been calculated assuming the amortization payment increases at a rate of 3%.

19. Commitments and Contingencies

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

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

20. Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

21. Beginning Fund Balance Reclassification

The Town's Nonmajor governmental funds for year ended December 31 2017, as defined by GASB Statement 54, have changed from the previous year. Accordingly, the following reconciliation is provided:

	Fund Equity 1/1/17 (as previously report)	Reclassification	Fund Equity 1/1/17 (as restated)
Capital Projects Fund	\$ 111,982	\$ (111,982)	\$ -
Nonmajor Funds	<u>1,593,153</u>	<u>111,982</u>	<u>1,705,135</u>
Total	<u>\$ 1,705,135</u>	<u>\$ -</u>	<u>\$ 1,705,135</u>

22. Implementation of New GASB Standard

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

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

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
June 30, 2017	June 30, 2017	0.05571358%	\$2,739,990	\$1,272,699	215.29%	62.66%
June 30, 2016	June 30, 2016	0.05650512%	\$3,004,714	\$1,192,001	252.07%	58.30%
June 30, 2015	June 30, 2015	0.05770494%	\$2,285,997	\$1,217,505	187.76%	65.50%

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

See Independent Auditors' Report.

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

DECEMBER 31, 2017
(Unaudited)

New Hampshire Retirement System					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>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, 2017	\$ 210,500	\$ (210,500)	\$ -	\$ 1,267,414	16.61%
December 31, 2016	\$ 201,927	\$ (201,927)	\$ -	\$ 1,229,560	16.42%
December 31, 2015	\$ 197,491	\$ (197,491)	\$ -	\$ 1,210,436	16.32%

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

See Independent Auditors' Report.

TOWN OF MILTON, NEW HAMPSHIRE
SCHEDULE OF OPEB FUNDING PROGRESS (GASB 45)
DECEMBER 31, 2017
(Unaudited)

Other Post-Employment Benefits

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
12/30/2017	\$ -	\$ 857,635	\$ 857,635	0.0%	\$ 1,267,414	67.7%
12/31/2016	\$ -	\$ 857,635	\$ 857,635	0.0%	\$ 1,229,560	69.8%

* Town of Milton, NH implemented GASB Statement 45 in 2016.

See Independent Auditors' Report.