

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**

**Financial Statements**

**December 31, 2017**

**and**

**Independent Auditor's Report**

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**FINANCIAL STATEMENTS**  
**December 31, 2017**

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**TOWN OF HAMPSTEAD, NEW HAMPSHIRE  
FINANCIAL STATEMENTS  
December 31, 2017**

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## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Selectmen  
Town of Hampstead, New Hampshire

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Hampstead, New Hampshire, as of and for the year ended December 31, 2017, 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***

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.

#### ***Auditor's Responsibility***

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

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

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

#### ***Basis for Adverse Opinion on Governmental Activities***

As discussed in Note 2 to the financial statements, management has not recorded a liability for other post-employment benefits in governmental activities and, accordingly, has not recorded an expense

for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other post-employment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities is not reasonably determinable.

### ***Adverse Opinion***

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on Governmental Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town of Hampstead, New Hampshire, as of December 31, 2017, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Town of Hampstead, New Hampshire, as of December 31, 2017, and the respective changes in financial position thereof 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 the management’s discussion and analysis, budgetary comparison information, the schedule of changes in the Town’s proportionate share of the net pension liability, and the schedule of Town contributions, on pages i-vi and 28-30 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 sufficient evidence to express an opinion or provide any assurance.

#### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hampstead, New Hampshire’s basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Vachon Cloutay & Company PC

Manchester, New Hampshire  
September 28, 2018

## **Town of Hampstead Management's Discussion and Analysis**

As management of the Town of Hampstead we offer readers this narrative overview and analysis of the financial activities of the Town of Hampstead for the fiscal year ended December 31, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the Town's financial statements.

### **A. OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Town of Hampstead's 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 the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

#### **Government-wide Financial Statements**

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

The **Net Position** presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Town 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 not result in cash flows until future fiscal periods (such as uncollected taxes and earned but unused vacation and sick leave).

Both of the government-wide financial statements display information about the Town as a whole and include the financial activities of the primary government with the exception of the fiduciary funds.

#### **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. The Town, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on the individual parts of the Town government and report the Town's operations in more detail than the government-wide statements. The Town's funds are divided into 2 categories—governmental and fiduciary. For governmental funds, only those funds that are considered Major Funds are reported in individual columns in the Fund Financial Statements with combining schedules in the Supplementary Section to support the non-major activities. Fiduciary Funds are reported by fiduciary type (private-purpose trusts and agency funds).

**Governmental Funds:** Most of the basic services provided by the Town are financed through governmental funds. Unlike the government-wide financial statements, the governmental fund financial statements report using the modified accrual basis of accounting, which measures cash and all other financial assets that can readily be converted into cash. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs.

Since the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented here with similar information presented in the government-wide financial statements.

An annual appropriated budget is adopted for the general fund and certain non-major special revenue funds. Budgetary comparison statements have been provided to demonstrate compliance with the budget.

**Fiduciary Funds:** These funds are used to account for resources held for the benefit of parties outside the Town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. The fiduciary fund category consists of two classifications: private purpose and agency funds. The Town's agency fund accounts for the capital reserve funds of the Hampstead School District. The accounting used for fiduciary funds is much like that used for proprietary funds in that they use the accrual basis of accounting.

**Notes to the 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 the Governmental Accounting Standards Board (GASB). Additional combining statements and schedules are presented immediately following the notes to the financial statements.

## **B. FINANCIAL HIGHLIGHTS**

- The total assets and deferred outflows of resources of the Town exceeded total liabilities and deferred inflows of resources at fiscal year ending December 31, 2017 with a balance of \$3,719,355 (Total net position) which is an increase from the balance of 2016 by \$37,286 or about 1%.
- As of the close of the fiscal year 2017, the Town's governmental funds reported a combined ending fund balance of \$1,946,593 which is an increase of \$507,282 from 2016

## **C. GOVERNMENT-WIDE FINANCIAL ANALYSIS**

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



		2017	2016
Current Assets		\$ 13,286,632	\$ 12,875,060
Capital Assets		\$ 4,741,811	\$ 4,810,979
Total Assets		\$ 18,028,443	\$ 17,686,039
Deferred Outflows of Resources		\$ 621,066	\$ 956,348
Current Liabilities		\$ 10,782,988	\$ 10,599,357
Other Liabilities		\$ 4,047,143	\$ 4,303,733
Total Liabilities		\$ 14,830,131	\$ 14,903,090
Deferred Inflows of Resources		\$ 100,023	\$ 57,228
Net investment in Capital Assets		\$ 4,439,118	\$ 4,493,794
Restricted		\$ 830,643	\$ 591,657
Unrestricted		\$ (1,550,406)	\$ (1,403,382)
Total Net Position		\$ 3,719,355	\$ 3,682,069

### **Net Position**

As stated earlier, the Town's net position (the amount assets and deferred outflows of resources exceed liabilities and deferred inflows of resources) from governmental activities totaled \$3,719,355 at the end of 2017, an increase of \$37,286 when compared to the end of the previous year.

GASB 34 required the recording of Town's investment in capital assets (land, building, machinery and equipment, vehicles, etc) at cost, calculating the accumulated depreciation and arriving at net capital assets. The total noncurrent assets at December 31, 2017 amounted to \$4,741,811 which is a net decrease of \$69,168 from December 31, 2016. The recognition of the capital assets, net accumulated depreciation, is required to be reported in the government-wide statements.

Keeping in mind that net position may serve over time as a useful indicator of a government's financial position, it should be noted that the Town's collections in property tax revenue, taxes and licenses, as well as a 95% property tax collection rate for 2017 property tax billing have also had impact on financial operations.

### **Statement of Activities**

The Town's total revenue for fiscal 2017 of \$6,743,235 did exceed the total expenses of \$6,705,949 resulting in a net position increase of \$37,286.

The following is a summary of condensed government-wide financial data of the net position for the current year and the prior year as required under GASB 34 rules.

		2017	2016	Increase (Decrease)	% Change
Revenues:					
<i>Program Revenues:</i>					
Charge for Services		\$ 357,707	\$ 274,396	\$ 83,311	30%
Operating Grants & Contributions		\$ 393,668	\$ 223,889	\$ 169,779	76%
<i>General Revenues:</i>					
Property & Other Taxes		\$ 3,047,294	\$ 3,267,871	\$ (220,577)	-7%
Licenses & Permits		\$ 2,349,398	\$ 2,217,655	\$ 131,743	6%
Intergovernmental		\$ 445,574	\$ 444,805	\$ 769	.2%
Interest Income		\$ 117,816	\$ 29,264	\$ 88,552	300%
Miscellaneous		\$ 17,832	\$ 53,632	\$ (35,800)	-67%
Contributions to permanent funds		\$ 13,946	\$ 6,981	\$ 6,965	100%
Total Revenues		\$ 6,743,235	\$ 6,518,493	\$ 224,742	3%
Expenses:					
General Government		\$ 1,523,911	\$ 1,521,757	\$ 2,154	.1%
Public Safety		\$ 2,619,587	\$ 2,541,230	\$ 78,357	3%
Highway & Streets		\$ 1,030,545	\$ 852,321	\$ 178,224	21%
Sanitation		\$ 654,473	\$ 630,205	\$ 24,268	4%
Health & Welfare		\$ 126,199	\$ 132,858	\$ (6,659)	-5%
Culture & Recreation		\$ 742,443	\$ 749,654	\$ (7,211)	-1%
Conservation		\$ 8,791	\$ 6,341	\$ 2,450	39%
Total Expenses		\$ 6,705,949	\$ 6,434,366	\$ 271,583	4%
Changes in Net Position		\$ 37,286	\$ 84,127	\$ (46,841)	-56%
Net Position, Beginning of Year		\$ 3,682,069	\$ 3,597,942	\$ 84,127	2%
Net Position, End of Year		\$ 3,719,355	\$ 3,682,069	\$ 37,286	1%

Property and other taxes amounted to \$3,047,294 in revenues. Licenses and permits amounted to \$2,349,398 in revenues. Other revenues consisted of rooms and meals tax distribution, interest and investment earnings, and miscellaneous revenues.

The Town's \$6,705,949 in expenses covered a range of services. Highway department and sanitation amounted to \$1,685,018. Public safety amounted to \$2,619,587. General government amounted to \$1,523,911. Culture and recreation amounted to \$742,443, Conservation at \$8,791 and Health and Welfare at \$126,199.

#### **D. FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The focus of the Town's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the Town's 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 a combined ending fund balances of \$1,946,593, an increase of \$507,282 in comparison with the prior year.

The general fund is the chief operating fund of the Town. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. At the end of the current fiscal year, the general fund had unassigned fund balance of \$506,540.

The goal of the Town of Hampstead is to retain an unreserved fund balance of 8%-15% of total appropriations. For fiscal 2017 total Town appropriations (not including school or county) amounted to \$6,454,854. Setting the unassigned fund balance from the ranges (8% to 15%) would give a fund balance from \$516,388 to \$968,228. The unassigned budgetary fund balance as of December 31, 2017 is \$1,194,005 (see Fund Equity on MS-535).

**Other Governmental Funds:** Total fund balance in the other governmental funds increased by \$72,431 in fiscal 2017.

**E. GENERAL FUND BUDGETARY HIGHLIGHTS**

The actual budgetary revenues were favorable overall compared to the budget for estimated revenues by \$215,935. Property and other Taxes were up from the budgeted amount by \$144,524 as was Intergovernmental by \$9,796, Charges for Services by \$62,824, and Interest Income by \$20,261. The Licenses and Permits revenue was down by \$21,470 at year end compared to what was budgeted.

The following departments under spent their budgets: General Government by \$78,846, Highways and Streets by \$84,826, Sanitation by \$11,757, Health and Welfare by \$28,308, Culture and Recreation by \$60,613 and conservation by \$755. Unfortunately Public Safety overspent their budget by \$5,440. The total underspent at year end was \$259,665.

**F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets:** The Town's investment in capital assets for its governmental activities as of December 31, 2017, amounts to \$6,699,567. Accumulated depreciation amounts to \$2,912,152, leaving a net book value of \$4,741,812. This investment in capital assets includes vehicles and equipment, land, buildings and improvements.

Additional information on the Town's capital assets can be found in Note 4 of the Notes to the Basic Financial Statements.

**Debt Administration:** The Town of Hampstead has various equipment lease agreements for items such as a truck for the Highway Department a loader, a backhoe and a Fire Truck. The Police Department has a lease agreement on two police cruisers. All of the

leases have an escape clause pending appropriation. At the December 31, 2017, the balances for the leases are \$302,693. The lease agreements are aged out as far as 2022.

**Net Pension Liability:** For the fiscal year ending December 31, 2015, The Town of Hampstead implemented GASB No. 68 which included a restatement of equity effective January 1, 2016 for the Net Pension Liability.

**Fair Value Measurement of Investments:** The Town of Hampstead implemented GASB Statement 72, *Fair Value Measurement and Application*, which categorized the fair measurements of its investments within the fair value hierarchy established by accounting principles of generally accepted in the United States. There are three levels and the Town of Hampstead has Mutual Funds in the amount of \$549,962 at Level 1.

### **ECONOMIC FACTORS**

Over the past few years the town has experienced minor events (i.e. snow storms) and various challenges (i.e. MS-4 EPA Requirements). With the economy constantly changing, continuing to hold the tax rate while providing the services has been the biggest challenge. We have managed to continue with the smooth operation of the town despite the challenges.

### **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Town's finances for all of Hampstead's citizens, taxpayers, customers, investors, and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: Town of Hampstead, Selectmen's Office and 11 Main Street, Hampstead, NH 03841.

EXHIBIT A  
**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**Statement of Net Position**  
December 31, 2017

	Governmental <u>Activities</u>
<b>ASSETS</b>	
Current Assets:	
Cash and cash equivalents	\$ 11,674,605
Investments	687,688
Taxes receivable, net	898,132
Accounts receivable	19,384
Due from other governments	1,136
Prepaid expenses	5,687
Total Current Assets	<u>13,286,632</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	654,396
Depreciable capital assets, net	4,087,415
Total Noncurrent Assets	<u>4,741,811</u>
Total Assets	<u>18,028,443</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows related to net pension liability	<u>621,066</u>
Total Deferred Outflows of Resources	<u>621,066</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Accounts payable	89,784
Accrued expenses	128,725
Due to other governments	10,438,791
Current portion of capital leases payable	125,688
Total Current Liabilities	<u>10,782,988</u>
Noncurrent Liabilities:	
Capital leases payable	177,005
Compensated absences payable	129,026
Net pension liability	3,741,112
Total Noncurrent Liabilities	<u>4,047,143</u>
Total Liabilities	<u>14,830,131</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to net pension liability	<u>100,023</u>
Total Deferred Inflows of Resources	<u>100,023</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,439,118
Restricted	830,643
Unrestricted	(1,550,406)
Total Net Position	<u>\$ 3,719,355</u>

*See accompanying notes to the basic financial statements*

EXHIBIT B  
**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**Statement of Activities**  
For the Year Ended December 31, 2017

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
General government	\$ 1,523,911	\$ 58,768		\$ (1,465,143)
Public safety	2,619,587	217,294	\$ 21,819	(2,380,474)
Highways and streets	1,030,545	364	371,849	(658,332)
Sanitation	654,473	26,596		(627,877)
Health and welfare	126,199	1,295		(124,904)
Culture and recreation	742,443	53,390		(689,053)
Conservation	8,791			(8,791)
Total governmental activities	<u>\$ 6,705,949</u>	<u>\$ 357,707</u>	<u>\$ 393,668</u>	<u>(5,954,574)</u>
General revenues:				
Property and other taxes				3,047,294
Licenses and permits				2,349,398
Grants and contributions:				
Rooms and meals tax distribution				445,574
Interest and investment earnings				117,816
Miscellaneous				17,832
Contributions to permanent fund principal				<u>13,946</u>
Total general revenues and contributions to permanent fund principal				<u>5,991,860</u>
Change in net position				<u>37,286</u>
Net position at beginning of year				<u>3,682,069</u>
Net position at end of year				<u>\$ 3,719,355</u>

*See accompanying notes to the basic financial statements*

EXHIBIT C  
**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**Balance Sheet**  
**Governmental Funds**  
December 31, 2017

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 11,124,776	\$ 549,829	\$ 11,674,605
Investments	250,356	437,332	687,688
Taxes receivable, net	898,132		898,132
Accounts receivable		19,384	19,384
Due from other governments	14	1,122	1,136
Due from other funds	34,234	250	34,484
Prepaid expenses	5,687		5,687
Total Assets	<u>12,313,199</u>	<u>1,007,917</u>	<u>13,321,116</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 12,313,199</u>	<u>\$ 1,007,917</u>	<u>\$ 13,321,116</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 89,784		\$ 89,784
Accrued expenses	124,000		124,000
Due to other governments	10,438,791		10,438,791
Due to other funds	250	\$ 34,234	34,484
Total Liabilities	<u>10,652,825</u>	<u>34,234</u>	<u>10,687,059</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unearned tax revenue	<u>687,464</u>		<u>687,464</u>
Total Deferred Inflows of Resources	<u>687,464</u>	<u>-</u>	<u>687,464</u>
<b>FUND BALANCES</b>			
Nonspendable	5,687	367,211	372,898
Restricted	324,443	138,989	463,432
Committed	46,818	461,318	508,136
Assigned	89,422	6,165	95,587
Unassigned	506,540		506,540
Total Fund Balances	<u>972,910</u>	<u>973,683</u>	<u>1,946,593</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 12,313,199</u>	<u>\$ 1,007,917</u>	<u>\$ 13,321,116</u>

*See accompanying notes to the basic financial statements*

EXHIBIT C-1  
**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
December 31, 2017

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 1,946,593
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	4,741,811
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis	687,464
Deferred outflows of resources related to net pension liability	621,066
Deferred inflows of resources related to net pension liability	(100,023)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
Capital leases payable	(302,693)
Accrued interest on long-term obligations	(4,725)
Compensated absences payable	(129,026)
Net pension liability	<u>(3,741,112)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 3,719,355</u>

*See accompanying notes to the basic financial statements*



EXHIBIT D  
**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
For the Year Ended December 31, 2017

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues:</b>			
Taxes	\$ 3,315,425		\$ 3,315,425
Licenses and permits	2,246,108	\$ 103,290	2,349,398
Intergovernmental	838,120	1,122	839,242
Charges for services	172,824	172,493	345,317
Interest and investment income	55,617	62,199	117,816
Miscellaneous	17,832	26,336	44,168
Total Revenues	<u>6,645,926</u>	<u>365,440</u>	<u>7,011,366</u>
<b>Expenditures:</b>			
<b>Current operations:</b>			
General government	1,470,840	106	1,470,946
Public safety	2,238,695	147,248	2,385,943
Highways and streets	1,145,172		1,145,172
Sanitation	653,973	500	654,473
Health and welfare	126,199		126,199
Culture and recreation	602,782	82,671	685,453
Conservation	5,636	1,639	7,275
Capital outlay	7,036	120,750	127,786
Total Expenditures	<u>6,250,333</u>	<u>352,914</u>	<u>6,603,247</u>
Excess revenues over expenditures	<u>395,593</u>	<u>12,526</u>	<u>408,119</u>
<b>Other financing sources (uses):</b>			
Proceeds from capital lease	99,163		99,163
Transfers in	4,388		4,388
Transfers out		(4,388)	(4,388)
Total other financing sources (uses)	<u>103,551</u>	<u>(4,388)</u>	<u>99,163</u>
Net change in fund balances	499,144	8,138	507,282
Fund balances at beginning of year	<u>473,766</u>	<u>965,545</u>	<u>1,439,311</u>
Fund balances at end of year	<u>\$ 972,910</u>	<u>\$ 973,683</u>	<u>\$ 1,946,593</u>

*See accompanying notes to the basic financial statements*

EXHIBIT D-1  
**TOWN OF HAMPSTEAD, 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 Change in Fund Balances - Governmental Funds (Exhibit D) \$ 507,282

Amounts reported for governmental activities in the statement of activities are different because:

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 as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period. (57,343)

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss of the disposed capital assets reduced by the actual proceeds received from the disposal. (11,825)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (268,131)

Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 113,655

Proceeds from capital lease obligations are reported as other financing sources in the governmental funds, but capital lease obligations increase long-term liabilities in the statement of net position. (99,163)

In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due. 824

Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. (25,882)

Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense reflects the change in net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which pension expense exceeded pension contributions in the current period. (122,131)

Change in Net Position of Governmental Activities (Exhibit B) \$ 37,286

EXHIBIT E  
**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
December 31, 2017

	Private- Purpose <u>Trust Funds</u>	Agency <u>Funds</u>
<b>ASSETS</b>		
Cash and cash equivalents		\$ 739,488
Investments	\$ 29,860	-
Total Assets	<u>29,860</u>	<u>739,488</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>
<b>LIABILITIES</b>		
Due to other governments	210	566,157
Due to developers		173,331
Total Liabilities	<u>210</u>	<u>\$ 739,488</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Total Deferred Inflows of Resources	<u>-</u>	
<b>NET POSITION</b>		
Held in trust	<u>29,650</u>	
Total Net Position	<u>\$ 29,860</u>	

*See accompanying notes to the basic financial statements*

EXHIBIT F  
**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
For the Year Ended December 31, 2017

	<u>Private- Purpose Trust Funds</u>
ADDITIONS:	
Investment earnings:	
Interest	\$ 210
Realized gain on investments	<u>4,119</u>
Total Investment Earnings	<u>4,329</u>
Total Additions	<u>4,329</u>
DEDUCTIONS:	
Benefits	<u>210</u>
Total Deductions	<u>210</u>
Change in net position	4,119
Net position at beginning of year	<u>25,531</u>
Net position at end of year	<u>\$ 29,650</u>

*See accompanying notes to the basic financial statements*

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
December 31, 2017

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Hampstead, New Hampshire conform to accounting policies generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

***Financial Reporting Entity***

The Town of Hampstead, New Hampshire (the Town) was incorporated in 1749. The Town operates under the town meeting form of government and performs local governmental functions authorized by State law.

The financial statements include those of the various departments governed by the Board of Selectmen and other officials with financial responsibility. The Town has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

***Basis of Presentation***

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**1. Government-Wide Financial Statements:**

The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the Town at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

**2. Fund Financial Statements:**

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2017

separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

***Fund Accounting***

The Town uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Town employs the use of two categories of funds: governmental and fiduciary.

**1. Governmental Funds:**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources and liabilities and deferred inflows of resources is reported as fund balance. The following is the Town's major governmental fund:

The *General Fund* is the main operating fund of the Town and is used to account for all financial resources except those required to be accounted for in another fund.

**2. Fiduciary Funds:**

Fiduciary fund reporting focuses on net position and changes in net position. The Town maintains two categories of fiduciary funds known as private purpose trust funds and agency funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town maintains one private purpose trust which accounts for school programs. The Town's agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The Town's agency fund accounts for the capital reserve funds of the Hampstead School District, which are held by the Town as required by State law. Other agency funds consist of performance deposits held by the Town for developers.

***Measurement Focus***

**1. Government-Wide Financial Statements:**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities and deferred inflows of resources associated with the operation of the Town are included on the Statement of Net Position.

**2. Fund Financial Statements:**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2017

sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds. The private purpose trust fund is reported using the economic resources measurement focus.

***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue, the recording of unearned revenue, and in the presentation of expenses versus expenditures.

**1. Revenues – Exchange and Non-exchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Town, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 10). Revenue from grants, entitlements and donations are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes, charges for service, and interest on investments.

Licenses and permits, and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Grants and entitlements received before the eligibility requirements are met are recorded as advances from grantors. On governmental fund financial statements, receivables that will not be collected within the available period have also been reported as deferred inflows of resources.

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2017

**2. Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

***Budgetary Data***

The Town's budget represents functional appropriations as authorized by annual or special town meetings. The Selectmen may transfer funds between operating categories as they deem necessary. The Town adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2017, the Town applied \$500,000 of unassigned fund balance to reduce taxes.

***Investments***

Investments are stated at their fair value in all funds. Certificates of deposit and repurchase agreements with a maturity of greater than ninety days from the date of issuance are included in investments.

***Taxes Receivable***

Taxes levied during the current year and prior and uncollected at December 31, 2017 are recorded as receivables net of reserves for estimated uncollectibles of \$25,000.

***Capital Assets***

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets, including infrastructure, are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The Town maintains a capitalization threshold of \$10,000. The Town's infrastructure consists of traffic lights. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

The Town is not required to retroactively report its general infrastructure (e.g. roads, bridges, and sidewalks). Infrastructure records have been maintained effective January 1, 2004 and are included in these financial statements.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure



**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2017

were estimated based on the Town's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Description</u>	<u>Years</u>
Infrastructure		25
Land improvements		20-25
Buildings and improvements		10-40
Vehicles and equipment		3-15

***Compensated Absences***

Full-time non-union employees may accumulate personal days, based upon length of service, cumulative to a maximum of 34 days per year. Upon termination or retirement, employees shall receive payment for any unused accumulated personal days up to 60 days. Police employees earn vacation time based upon length of service up to 20 days per year. They may carryover up to 20 days and upon termination, retirement or death, they will be paid for all accumulated vacation time at their current rate of pay. Police employees also earn personal time of 12 days per year which can be accumulated up to a maximum of 75 days. Police employees are eligible to receive 50% of their balance of personal time upon termination or retirement.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement. The entire compensated absence liability is reported on the government-wide financial statements.

***Accrued Liabilities and Long-Term Obligations***

Except for the obligation for other post-employment benefits (see Note 2), all payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current year. Other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) and additions to/deductions from NHRS's 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 the benefit terms.

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2017

***Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings 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. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

***Fund Balance Policy***

The Town has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- ***Nonspendable Fund Balance:*** includes amounts that are not in a spendable form (such as inventory or prepaid expenses) or are required to be maintained intact (such as principal of permanent trust or endowment fund).
- ***Restricted Fund Balance:*** Funds legally restricted for specific purposes such as grant, library, income balance of permanent funds and capital project funds. Restrictions may be changed or lifted only with the consent of the resource provider (grantors) or enabling legislation (Federal or State law).
- ***Committed Fund Balance:*** Amount that can only be used for specific purpose determined by a formal action of the Town's highest level of decision making authority (annual town meeting: such as expendable trusts (capital reserve), non-lapsing appropriations and other Special Revenue Funds not listed under Restricted can change purposing by a vote at town meetings.
- ***Assigned Fund Balance:*** includes amounts that are not obligated or specifically designated and is available for any purpose. For all government funds other than the General Fund, any remaining positive amounts are to be classified as "assigned". The Selectmen expressly delegates this authority to the Town Administration or Finance Director depending on the situation.
- ***Unassigned Fund Balance:*** includes amounts that are not obligated or specifically designated and is available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit fund balance of another fund is also classified as unassigned.

**Spending Prioritizations**

In instances when expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications may be applied, committed resources are to be applied first, followed by assigned and unassigned.

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2017

*Deficit Fund Balance*

Pursuant to the Town's policy at year end, if any of the special revenue funds has a deficit unassigned fund balance, the Board of Selectmen is authorized to transfer funds from the General Fund to cover the deficit, providing the General Fund has the resources to do so.

*Minimum Level of Unassigned Fund Balance*

The Town strives to maintain an unassigned fund balance in its General Fund equal to 8-15% of the total annual appropriations of the community. Compliance with the provisions of this policy shall be reviewed as a part of the annual budget adoption process.

*Interfund Activity*

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

*Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Other Post-Employment Benefits*

The Town has not implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 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 provisions of GASB 45 were required to be implemented by the Town during the year ended December 31, 2009.

**NOTE 3—DEPOSITS AND INVESTMENTS**

Deposits and investments as of December 31, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 11,674,605
Investments	687,688
Statement of Fiduciary Net Position:	
Cash and cash equivalents	739,488
Investments	29,860
Total deposits and investments	<u>\$ 13,131,641</u>

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2017

Deposits and investments as of December 31, 2017 consist of the following:

Cash on hand	\$ 8,034
Deposits with financial institutions	12,406,059
Investments	<u>717,548</u>
Total deposits and investments	<u>\$ 13,131,641</u>

The Town's investment policy requires that deposits and investments be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The Town limits its investments to demand deposits, money market accounts, certificates of deposit and repurchase agreements in accordance with New Hampshire State law (RSA 41:29) or the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool, in accordance with New Hampshire State law (RSA 197:23-a). Responsibility for the investments of the Trust Funds is with the Trustees of Trust Funds.

***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. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

As of December 31, 2017, the Town's investments in money market funds and mutual funds totaling \$43,273 and \$549,962, respectively, are not rated. At year end, the investment in NHPDIP, an external investment pool, in the amount of \$124,313, had a rating of *Aaa-mf*.

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty 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.

In accordance with the Town's investment policy, all funds must be secured by collateral having a market value of at least equal to 102% of the amount deposited or invested. The collateral shall only consist of securities in which Towns may invest, as provided in New Hampshire State law (RSA 368:57).

Of the Town's deposits with financial institutions at year end, \$11,060,462 was collateralized by securities held by the bank in the Town's name.

As of December 31, 2017, Town investments in the following investment types were held by the same counterparty that was used to buy the securities:

	<u>Investment Type</u>	<u>Reported Amount</u>
Mutual funds		\$ 549,962
Money market funds		<u>43,273</u>
		<u>\$ 593,235</u>

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2017

***Fair Value Measurement of Investments***

In accordance with GASB Statement 72, *Fair Value Measurement and Application*, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by accounting principles generally accepted in the United States. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows (in order of priority):

- Level 1 Inputs - Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date.
- Level 2 Inputs - Inputs other than quoted prices that are observable for assets or liabilities either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs - Significant unobservable inputs.

As of December 31, 2017, the Town's investments measured at acquisition value, by type, were as follows:

<u>Investment Type</u>	<u>Fair Value Measurements Using:</u>			<u>Total</u>
	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	
Mutual funds	\$ 549,962			\$ 549,962
	<u>\$ 549,962</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 549,962</u>

Mutual funds classified as Level 1 are valued using unadjusted quoted prices in active markets for those securities.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

***Investment in NHPDIP***

The Town is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by State law and is administered by a public body of state, local and banking officials.

The Town's exposure to derivatives is indirect through its participation in the NHPDIP. The Town's proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the value of the pool shares.

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2017

**NOTE 4—CAPITAL ASSETS**

The following is a summary of changes in capital assets in the governmental funds:

	Balance <u>1/1/2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2017</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 535,162	\$ 119,234		\$ 654,396
Construction in process	\$ 25,188		\$ (25,188)	-
Total capital assets not being depreciated	<u>560,350</u>	<u>119,234</u>	<u>(25,188)</u>	<u>654,396</u>
Other capital assets:				
Infrastructure	183,333			183,333
Land improvements	76,129			76,129
Buildings and improvements	4,075,772		(20,963)	4,054,809
Vehicles and equipment	<u>2,837,786</u>	<u>148,731</u>	<u>(301,221)</u>	<u>2,685,296</u>
Total other capital assets at historical cost	<u>7,173,020</u>	<u>148,731</u>	<u>(322,184)</u>	<u>6,999,567</u>
Less accumulated depreciation for:				
Infrastructure	(83,720)	(7,333)		(91,053)
Land improvements	(12,010)	(3,606)		(15,616)
Buildings and improvements	(1,358,047)	(111,817)	9,138	(1,460,726)
Vehicles and equipment	<u>(1,468,614)</u>	<u>(177,364)</u>	<u>301,221</u>	<u>(1,344,757)</u>
Total accumulated depreciation	<u>(2,922,391)</u>	<u>(300,120)</u>	<u>310,359</u>	<u>(2,912,152)</u>
Total other capital assets, net	<u>4,250,629</u>	<u>(151,389)</u>	<u>(11,825)</u>	<u>4,087,415</u>
Total capital assets, net	<u>\$ 4,810,979</u>	<u>\$ (32,155)</u>	<u>\$ (37,013)</u>	<u>\$ 4,741,811</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 21,086
Public safety	199,913
Highways and streets	29,975
Culture and recreation	49,146
	<u>\$ 300,120</u>

The balance of the assets acquired through capital leases as of December 31, 2017 is as follows:

Vehicles and equipment	\$ 841,240
Less accumulated depreciation for:	
Vehicles and equipment	<u>(168,817)</u>
	<u>\$ 672,423</u>

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2017

**NOTE 5—LONG-TERM OBLIGATIONS**

*Changes in Long-Term Obligations*

The changes in the Town’s long-term obligations for the year ended December 31, 2017 are as follows:

	<u>Balance</u> <u>1/1/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2017</u>	<u>Current</u> <u>Portion</u>
Governmental activities:					
Capital leases payable	\$ 317,185	\$ 99,163	\$ (113,655)	\$ 302,693	\$ 125,688
Compensated absences payable	103,144	34,677	(8,795)	129,026	-
	<u>\$ 420,329</u>	<u>\$ 133,840</u>	<u>\$ (122,450)</u>	<u>\$ 431,719</u>	<u>\$ 125,688</u>

Payments on capital lease obligations are paid out of the General Fund. Compensated absences will be paid from the fund where the employee’s salary is paid.

Interest on capital lease obligations were charged to governmental functions as follows:

General government	\$ 588
Public safety	4,942
Highways and streets	4,933
	<u>\$ 10,463</u>

*Capital Lease Obligations*

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable function. Following are the capital lease obligations at December 31, 2017:

Vehicle, due in annual installments of \$15,851 through 2018, including interest at 6.84%	\$ 14,836
Loader, due in annual installments of \$21,335 through June 2022, including interest at 2.96%	99,163
Police vehicle, due in annual installments of \$13,796 through June 2018, including interest at 5.95%	13,021
Fire Truck, due in annual installments of \$66,611 through July 2019, including interest at 1.78%	129,745
Backhoe due in annual installments of \$15,928 through May 2020, including interest at 3.00%	45,928
	<u>\$ 302,693</u>

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2017

Debt service requirements to retire capital lease obligations outstanding at December 31, 2017 are as follows:

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 125,688	\$ 7,833	\$ 133,521
2019	99,987	3,886	103,873
2020	35,586	1,678	37,264
2021	20,410	925	21,335
2022	<u>21,022</u>	<u>313</u>	<u>21,335</u>
	<u>\$ 302,693</u>	<u>\$ 14,635</u>	<u>\$ 317,328</u>

**NOTE 6—DEFINED BENEFIT PENSION PLAN**

***Plan Description***

The Town contributes to the New Hampshire Retirement System (NHRS), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*. The New Hampshire Retirement System is a public employee retirement system that administers a single cost-sharing multiple-employer defined benefit pension plan. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301 or from their website at [www.nhrs.org](http://www.nhrs.org).

Substantially all full-time state and local employees, public school teachers, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan.

The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II. All assets are held in a single trust and are available to pay retirement benefits to all members.

***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 vested by January 1, 2012, 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 not attained status as of January 1, 2012 can receive a retirement allowance at age



**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2017

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 1/4 of 1%. For Group II members who commenced service prior to July 1, 2011, who have not attained vested status prior to January 1, 2012, benefits are calculated 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	23	2.2%
Less than 4 years	49	24	2.1%

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 earnable compensation and/or service.

***Funding Policy***

Covered police officers and fire employees are required to contribute 11.55% and 11.80%, respectively, of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers, fire employees, and general employees were 22.54%, 25.32%, and 10.86%, respectively through June 30, 2017, and 25.33%, 27.79%, and 11.08%, respectively thereafter. The Town contributed 100% of the employer cost for police officers, firefighters, and general employees of the Town.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's pension contributions to the NHRS for the year ending December 31, 2017 were \$296,590.

***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 \$3,741,112 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 a roll forward of the actuarial valuation from June 30, 2016. The Town's proportion of the net pension liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2017, the Town's proportion was approximately 0.0761 percent, which was an increase of 0.0009 percentage points from its proportion measured as of June 30, 2016.

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2017

For the year ended December 31, 2017, the Town recognized pension expense of \$428,399. At December 31, 2017, 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	\$ 8,483	\$ 47,614
Change in assumptions	375,657	
Net difference between projected and actual earnings on pension plan investments		47,645
Changes in proportion and differences between Town contributions and share of contributions	75,331	4,764
Town contributions subsequent to the measurement date	<u>161,595</u>	
Totals	<u>\$ 621,066</u>	<u>\$ 100,023</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pensions is reflected as an increase to unrestricted net position in the amount of \$521,043. The Town reported \$161,595 as deferred outflows of resources related to pension resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2018. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized as pension expense in the measurement periods as follows:

Year Ending <u>June 30,</u>	
2018	\$ 100,420
2019	182,411
2020	129,904
2021	<u>(53,287)</u>
	<u>\$ 359,448</u>

***Actuarial Assumptions***

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2016, using the following actuarial assumptions:

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2017

Inflation	2.5 percent
Wage inflation	3.25 percent
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. Retirement rates were based on a table of rates that are specific to the type of eligibility condition, last updated in 2015 pursuant to an experience study of the period July 1, 2010 – June 30, 2015.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of weighted average long-term expected real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return (Net of inflation assumption of 3.25%)</u>
Fixed income	25%	(0.25)-2.11%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.50-6.25%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.75%
Opportunistic	5%	2.84%
Total	<u>100%</u>	

***Discount Rate***

The discount rate used to measure the collective pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that 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 contributions are projected based on the expected payroll of current members only. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of 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 collective pension liability.

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
 December 31, 2017

***Sensitivity of the Town's 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 or 1-percentage-point higher than the single discount rate:

	1% Decrease <u>(6.25%)</u>	Current Discount rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Town's proportionate share of the net pension liability	\$ 4,928,727	\$ 3,741,112	\$ 2,767,908

**NOTE 7—INTERFUND BALANCES AND TRANSFERS**

The Town incurs various interfund balances throughout the year as a result of timing differences between when amounts expended are reimbursed by the various funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. The various transfers were made in accordance with budgetary authorization.

Interfund balances at December 31, 2017 are as follows:

	Due from		<u>Total</u>
	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	
Due to General Fund		\$ 34,234	\$ 34,234
Nonmajor Governmental Funds	\$ 250		250
	<u>\$ 250</u>	<u>\$ 34,234</u>	<u>\$ 34,484</u>

Interfund transfers for the year ended December 31, 2017 consists of a transfer of \$4,388 to the General Fund from the Permanent Funds.

**NOTE 8—RESTRICTED NET POSITION**

Net position is restricted for specific purposes at December 31, 2017 as follows:

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2017

Permanent Funds - Endowments	\$ 367,211
Permanent Funds - Income	103,773
Police Drug Forfeiture Funds	2,797
Recreation Donation Fund	22,484
Friends of Ordway Park Fund	6,698
Basketball Court Donations Trust Fund	2,784
Police Donation Trust Fund	453
Highway Block Grant	139,630
Library Fund	<u>184,813</u>
	<u>\$ 830,643</u>

**NOTE 9—COMPONENTS OF FUND BALANCE**

The Town's fund balance components are comprised as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><i>Nonspendable:</i></b>			
Permanent Funds - Endowments		\$ 367,211	\$ 367,211
Prepaid expenses	\$ 5,687		5,687
<b><i>Restricted for:</i></b>			
Permanent Funds - Income		103,773	103,773
Police Drug Forfeiture Fund		2,797	2,797
Friends of Ordway Park		6,698	6,698
Recreation Fund		22,484	22,484
Police Donation Trust Fund		453	453
Basketball Court Donations Trust Fund		2,784	2,784
Highway Block Grant	139,630		139,630
Library Fund	184,813		184,813
<b><i>Committed for:</i></b>			
Cable Advisory Board		324,466	324,466
Recreation Revolving Fund		6,633	6,633
Police Special Details Fund		51,752	51,752
Conservation Commission Fund		70,296	70,296
Capital Reserve Fund	36,523		36,523
Expendable Trust Fund	10,295		10,295
Recycling Revolving Fund		8,171	8,171
<b><i>Assigned for:</i></b>			
Encumbrances	89,243		89,243
OHRV Fund	179		179
Historic District Commission Fund		4,156	4,156
Trails Fund		2,009	2,009
<b><i>Unassigned:</i></b>			
Unassigned - General operations	<u>506,540</u>		<u>506,540</u>
	<u>\$ 972,910</u>	<u>\$ 973,683</u>	<u>\$ 1,946,593</u>

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2017

**NOTE 10—PROPERTY TAXES**

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$1,024,868,522 as of April 1, 2017) and are due in two installments on July 3, 2017 and December 15, 2017. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year-end).

Under State law, the Tax Collector obtains tax liens on properties which have unpaid taxes in the following calendar year after taxes were due for the amount of unpaid taxes, interest and costs. These priority tax liens accrue interest at 18% per annum. If the property is not redeemed within a two year redemption period, the property is tax dedeed to the Town.

In accordance with State law, the Town collects taxes for the Hampstead School District and Rockingham County, both independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$21,008,792 and \$1,132,621 for the Hampstead School District and Rockingham County, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes. At December 31, 2017, the balance of the property tax appropriations due to the school district is \$10,438,791 and has been reported in the General Fund as 'Due to other governments' in these financial statements.

**NOTE 11—RISK MANAGEMENT**

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2017, the Town participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2017.

***Property and Liability Insurance***

The Trust provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the Town shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$200,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$1,000,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
December 31, 2017

*Worker's Compensation*

The Trust provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

**NOTE 12—COMMITMENTS AND CONTINGENCIES**

*Sanitation Contract*

The Town has entered into a long-term contract with an independent company for the collection and disposal of solid waste. The Town entered into a 3-year contract starting January 1, 2015 with Casella to provide Municipal Waste, Bulky Waste, and recycling services for the Town of Hampstead. The contracted cost will be \$418,000 for year one, \$431,000 for year two, and \$444,000 for year three. The cost for drop off location transportation and disposal services for year one is \$77 per ton plus a per haul cost of \$140. Year two will be \$79 per ton plus per haul cost \$145, and year three will be \$81 per ton plus a per haul cost of \$150. The cost for disposal for year one is \$61.50 per ton, year two is \$63.50 per ton, and year three is \$65.50 per ton. Total expenditures under this contract were \$637,385 for 2017.

The Town extended their sanitation contract for an additional year through December 31, 2018 based on the terms of year three as stated above.

*Litigation*

The Town's management estimates that any potential claims against the Town, which are not covered by insurance, are immaterial and would not affect the financial position of the Town.

**NOTE 13—PERFORMANCE BONDS**

The Town holds performance bonds from developers until projects have been completed to Town standards. Due to the nature of the bonds they are not included as part of the financial statements. As of December 31, 2017, the performance bonds are comprised of the following:

Letters of credit	<u>\$ 90,000</u>
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SCHEDULE 1  
**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis) - General Fund**  
For the Year Ended December 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<b>Revenues:</b>				
Taxes	\$ 2,902,770	\$ 2,902,770	\$ 3,047,294	\$ 144,524
Licenses and permits	2,267,578	2,267,578	2,246,108	(21,470)
Intergovernmental	656,922	828,324	838,120	9,796
Charges for services	110,000	110,000	172,824	62,824
Interest income	17,584	17,584	37,845	20,261
Total Revenues	<u>5,954,854</u>	<u>6,126,256</u>	<u>6,342,191</u>	<u>215,935</u>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	1,533,647	1,533,647	1,454,801	78,846
Public safety	2,319,546	2,319,546	2,324,986	(5,440)
Highways and streets	1,102,015	1,133,787	1,048,961	84,826
Sanitation	665,730	665,730	653,973	11,757
Health and welfare	154,507	154,507	126,199	28,308
Culture and recreation	149,331	149,331	88,718	60,613
Conservation	6,391	6,391	5,636	755
Total Expenditures	<u>5,931,167</u>	<u>5,962,939</u>	<u>5,703,274</u>	<u>259,665</u>
Excess revenues over expenditures	<u>23,687</u>	<u>163,317</u>	<u>638,917</u>	<u>475,600</u>
<b>Other financing sources (uses):</b>				
Transfers in			4,313	4,313
Transfers out	<u>(523,687)</u>	<u>(523,687)</u>	<u>(524,273)</u>	<u>(586)</u>
Total other financing sources (uses)	<u>(523,687)</u>	<u>(523,687)</u>	<u>(519,960)</u>	<u>3,727</u>
Net change in fund balance	(500,000)	(360,370)	118,957	479,327
<b>Fund balance at beginning of year</b>				
- Budgetary Basis	<u>1,220,364</u>	<u>1,220,364</u>	<u>1,220,364</u>	
Fund balance at end of year				
- Budgetary Basis	<u>\$ 720,364</u>	<u>\$ 859,994</u>	<u>\$ 1,339,321</u>	<u>\$ 479,327</u>

See accompanying notes to the required supplementary information



SCHEDULE 2

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**

**Schedule of Changes in the Town's Proportionate Share of the Net Pension Liability**

For the Year Ended December 31, 2017

<u>Measurement Period Ended</u>	<u>Town's Proportion of the Net Pension Liability</u>	<u>Town's Proportionate Share of the Net Pension Liability</u>	<u>Town's Covered Payroll</u>	<u>Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2017	0.0761%	\$ 3,741,112	\$ 1,542,655	242.51%	62.66%
June 30, 2016	0.0752%	\$ 3,997,058	\$ 1,469,991	271.91%	58.30%
June 30, 2015	0.0750%	\$ 2,969,247	\$ 1,435,275	206.88%	65.47%
June 30, 2014	0.0752%	\$ 2,822,909	\$ 1,400,468	201.57%	66.32%
June 30, 2013	0.0721%	\$ 3,103,162	\$ 1,334,314	232.57%	59.81%

*See accompanying notes to the required supplementary information*

SCHEDULE 3

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**

**Schedule of Town Contributions**

For the Year Ended December 31, 2017

<u>Year Ended</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Town's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2017	\$ 296,590	\$ (296,590)	\$ -	\$ 1,538,407	19.28%
December 31, 2016	\$ 265,637	\$ (265,637)	\$ -	\$ 1,468,104	18.09%
December 31, 2015	\$ 262,074	\$ (262,074)	\$ -	\$ 1,454,088	18.02%
December 31, 2014	\$ 245,150	\$ (245,150)	\$ -	\$ 1,408,971	17.40%
December 31, 2013	\$ 208,793	\$ (208,793)	\$ -	\$ 1,349,805	15.47%

*See accompanying notes to the required supplementary information*

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
December 31, 2017

**NOTE 1—BUDGET TO ACTUAL RECONCILIATION**

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the Town. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Budgetary revenues and expenditures were adjusted for encumbrances, non-budgetary activity, capital lease activity and budgetary transfers in and out.

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 6,749,477	\$ 6,250,333
Difference in property taxes meeting susceptible to accrual criteria	(268,131)	
Encumbrances, December 31, 2017		89,243
Encumbrances, December 31, 2016		(16,039)
Capital lease proceeds	(99,163)	(99,163)
Non-budgetary activity	(559,952)	(521,100)
Budgetary transfers in and out	<u>524,273</u>	<u>524,273</u>
Per Schedule 1	<u>\$ 6,346,504</u>	<u>\$ 6,227,547</u>

**NOTE 2—BUDGETARY FUND BALANCE**

The components of the budgetary fund balance for the General Fund at December 31, 2017 are as follows:

<b><i>Nonspendable:</i></b>	
Prepaid expenses	\$ 5,687
<b><i>Restricted:</i></b>	
Highway Block Grant	139,630
<b><i>Unassigned:</i></b>	
Unassigned - General operations	<u>1,194,004</u>
	<u>\$ 1,339,321</u>

**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
December 31, 2017

**NOTE 3—SCHEDULE OF CHANGES IN THE TOWN’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF TOWN CONTRIBUTIONS**

In accordance with GASB Statement #68, *Accounting and Financial Reporting for Pensions*, the Town is required to disclose historical information for each of the prior ten years within a schedule of changes in the Town’s proportionate share of the net pension liability, and schedule of Town contributions. The Town implemented the provisions of GASB Statement #68 during the year ended December 31, 2015. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as the information becomes available.

***Change in Actuarial Assumptions***

For the June 30, 2015 actuarial valuation, the New Hampshire Retirement System reduced its assumption for the investment rate of return from 7.75% to 7.25%, decreased the price inflation from 3.0% to 2.5%, decreased the wage inflation from 3.75% to 3.25%, and decreased the salary increases from 5.8% to 5.6%. Additionally, the mortality table was changed from the RP-2000 projected to 2020 with Scale AA to the RP-2014 employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP-2015.

SCHEDULE A  
**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**Combining Balance Sheet**  
**Governmental Funds - All Nonmajor Funds**  
December 31, 2017

	Special Revenue Funds	Permanent Funds	Combining Nonmajor Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 511,790	\$ 38,039	\$ 549,829
Investments		437,332	437,332
Accounts receivable	19,384		19,384
Due from other governments	1,122		1,122
Due from other funds	250		250
Total Assets	<u>532,546</u>	<u>475,371</u>	<u>1,007,917</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 532,546</u>	<u>\$ 475,371</u>	<u>\$ 1,007,917</u>
<b>LIABILITIES</b>			
Due to other funds	\$ 29,847	\$ 4,387	\$ 34,234
Total Liabilities	<u>29,847</u>	<u>4,387</u>	<u>34,234</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>			
Nonspendable		367,211	367,211
Restricted	35,216	103,773	138,989
Committed	461,318		461,318
Assigned	6,165		6,165
Total Fund Balances	<u>502,699</u>	<u>470,984</u>	<u>973,683</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 532,546</u>	<u>\$ 475,371</u>	<u>\$ 1,007,917</u>

SCHEDULE A-1  
TOWN OF HAMPSTEAD, NEW HAMPSHIRE  
Combining Balance Sheet  
Governmental Funds - All Nonmajor Special Revenue Funds  
December 31, 2017

	Cable Advisory Board	Recreation Revolving Fund	Historic District Commission	Trails Fund	Police Special Details Fund	Drug Forfeiture Fund	Conservation Commission	Friends of Ordway Park	Recreation Donation Fund	Police Donation Trust Fund	Basketball Court Donations Trust Fund	Recycling Revolving Fund	Total Nonmajor Special Revenue Funds
<b>ASSETS</b>													
Cash and cash equivalents	\$ 324,466	\$ 6,633	\$ 4,156	\$ 2,009	\$ 61,093	\$ 2,547	\$ 70,296	\$ 6,698	\$ 22,484	\$ 453	\$ 2,784	\$ 8,171	\$ 511,790
Accounts receivable					19,384								19,384
Due from other governments					1,122								1,122
Due from other funds						250							250
Total Assets	<u>324,466</u>	<u>6,633</u>	<u>4,156</u>	<u>2,009</u>	<u>81,599</u>	<u>2,797</u>	<u>70,296</u>	<u>6,698</u>	<u>22,484</u>	<u>453</u>	<u>2,784</u>	<u>8,171</u>	<u>532,546</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>													
Total Deferred Outflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 324,466</u>	<u>\$ 6,633</u>	<u>\$ 4,156</u>	<u>\$ 2,009</u>	<u>\$ 81,599</u>	<u>\$ 2,797</u>	<u>\$ 70,296</u>	<u>\$ 6,698</u>	<u>\$ 22,484</u>	<u>\$ 453</u>	<u>\$ 2,784</u>	<u>\$ 8,171</u>	<u>\$ 532,546</u>
<b>LIABILITIES</b>													
Due to other funds	-	-	-	-	\$ 29,847	-	-	-	-	-	-	-	\$ 29,847
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,847</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 29,847</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>													
Total Deferred Inflows of Resources	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>FUND BALANCES</b>													
Restricted													
Committed	324,466	6,633	4,156	2,009	51,752	2,797	70,296	6,698	22,484	453	2,784	8,171	35,216
Assigned	<u>324,466</u>	<u>6,633</u>	<u>4,156</u>	<u>2,009</u>	<u>51,752</u>	<u>2,797</u>	<u>70,296</u>	<u>6,698</u>	<u>22,484</u>	<u>453</u>	<u>2,784</u>	<u>8,171</u>	<u>461,318</u>
Total Fund Balances	<u>\$ 324,466</u>	<u>\$ 6,633</u>	<u>\$ 4,156</u>	<u>\$ 2,009</u>	<u>\$ 81,599</u>	<u>\$ 2,797</u>	<u>\$ 70,296</u>	<u>\$ 6,698</u>	<u>\$ 22,484</u>	<u>\$ 453</u>	<u>\$ 2,784</u>	<u>\$ 8,171</u>	<u>\$ 502,699</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 324,466</u>	<u>\$ 6,633</u>	<u>\$ 4,156</u>	<u>\$ 2,009</u>	<u>\$ 81,599</u>	<u>\$ 2,797</u>	<u>\$ 70,296</u>	<u>\$ 6,698</u>	<u>\$ 22,484</u>	<u>\$ 453</u>	<u>\$ 2,784</u>	<u>\$ 8,171</u>	<u>\$ 532,546</u>

SCHEDULE B  
**TOWN OF HAMPSTEAD, NEW HAMPSHIRE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds - All Nonmajor Funds**  
For the Year Ended December 31, 2017

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Combining Nonmajor <u>Totals</u>
Revenues:			
Licenses and permits	\$ 103,290		\$ 103,290
Intergovernmental	1,122		1,122
Charges for services	172,493		172,493
Interest and investment income	682	\$ 61,517	62,199
Miscellaneous	<u>12,390</u>	<u>13,946</u>	<u>26,336</u>
Total Revenues	<u>289,977</u>	<u>75,463</u>	<u>365,440</u>
Expenditures:			
Current operations:			
General government	106		106
Public safety	147,248		147,248
Sanitation	500		500
Culture and recreation	82,671		82,671
Conservation	1,639		1,639
Capital outlay	<u>120,750</u>		<u>120,750</u>
Total Expenditures	<u>352,914</u>	<u>-</u>	<u>352,914</u>
Excess revenues over (under) expenditures	<u>(62,937)</u>	<u>75,463</u>	<u>12,526</u>
Other financing (uses):			
Transfers out	<u>-</u>	<u>(4,388)</u>	<u>(4,388)</u>
Total other financing (uses)	<u>-</u>	<u>(4,388)</u>	<u>(4,388)</u>
Net change in fund balances	(62,937)	71,075	8,138
Fund balances at beginning of year	<u>565,636</u>	<u>399,909</u>	<u>965,545</u>
Fund balances at end of year	<u>\$ 502,699</u>	<u>\$ 470,984</u>	<u>\$ 973,683</u>

SCHEDULE B-1  
TOWN OF HAMPSHIRE  
Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds - All Nonmajor Special Revenue Funds  
For the Year Ended December 31, 2017

	Cable Advisory Board	Recreation Revolving Fund	Historic District Commission	Trails Fund	Police Special Details Fund	Drug Forfeiture Fund	Conservation Commission	Friends of Ordway Park	Recreation Donation Fund	Police Donation Trust Fund	Basketball Court Donation Trust Fund	Recycling Revolving Fund	Total Nonmajor Special Revenue Funds
Revenues:													
Licenses and permits	\$ 103,290				\$ 1,122								\$ 103,290
Intergovernmental					157,120							\$ 300	1,122
Charges for services	139	\$ 15,073	\$ 9	\$ 3	96	\$ 6	\$ 322	\$ 23	\$ 53	\$ 2	\$ 10	\$ 19	172,493
Interest and investment income		2,075	400						9,915				682
Miscellaneous		17,148	409	3	158,338	6	322	23	9,968	2	10	319	12,390
Total Revenues	103,429	17,148	409	3	158,338	6	322	23	9,968	2	10	319	289,977
Expenditures:													
Current operations:													
General government					147,248					106			106
Public safety												500	147,248
Sanitation									1,563				500
Culture and recreation	65,781	15,327		1,639									82,671
Conservation													1,639
Capital outlay							120,750						120,750
Total Expenditures	65,781	15,327		1,639	147,248		120,750		1,563	106		500	352,914
Excess revenues over (under) expenditures	37,648	1,821	409	(1,636)	11,090	6	(120,428)	23	8,405	(104)	10	(181)	(62,937)
Other financing sources (uses):													
Total other financing sources (uses)													
Net change in fund balances	37,648	1,821	409	(1,636)	11,090	6	(120,428)	23	8,405	(104)	10	(181)	(62,937)
Fund balances at beginning of year	286,818	4,812	3,747	3,645	40,662	2,791	190,724	6,675	14,079	557	2,774	8,352	565,636
Fund balances at end of year	\$ 324,466	\$ 6,633	\$ 4,156	\$ 2,009	\$ 51,752	\$ 2,797	\$ 70,296	\$ 6,698	\$ 22,484	\$ 453	\$ 2,784	\$ 8,171	\$ 502,699