

**TOWN OF ALEXANDRIA,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017**

TOWN OF ALEXANDRIA, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX 603-224-1380

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Alexandria
Alexandria, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Alexandria 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.

Opinions

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

Other Matters

Management's Discussion and Analysis – Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

*Town of Alexandria
Independent Auditor's Report*

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the Schedule of Town's Proportionate Share of Net Pension Liability (page 30) and the Schedule of Town Contributions (page 31) 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.

Other Information – Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Alexandria's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund schedules 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 and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

June 1, 2018

*Plodzik & Sanderson
Professional Association*

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 1,860,206
Investments	640,159
Taxes receivables (net)	433,135
Account receivables	4,515
Tax deeded property, subject to resale	34,622
Capital assets:	
Land and construction in progress	130,725
Other capital assets, net of depreciation	4,335,854
Total assets	7,439,216
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	116,432
LIABILITIES	
Accounts payable	28,807
Accrued interest payable	14,343
Intergovernmental payable	1,573,025
Long-term liabilities:	
Due within one year	114,064
Due in more than one year	970,834
Total liabilities	2,701,073
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	42,777
Amounts related to pensions	41,659
Total deferred inflows of resources	84,436
NET POSITION	
Net investment in capital assets	3,971,674
Restricted	629,704
Unrestricted	168,761
Total net position	\$ 4,770,139

The notes to the basic financial statements are an integral part of this statement.

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

	Expenses	Program Revenues			Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 347,823	\$ 6,411	\$ -	\$ 29,208	\$ (312,204)
Public safety	536,029	1,161	-	-	(534,868)
Highways and streets	1,004,859	-	157,915	-	(846,944)
Sanitation	158,493	17,386	-	-	(141,107)
Health	22,797	-	-	-	(22,797)
Welfare	13,198	-	-	-	(13,198)
Culture and recreation	38,754	-	-	-	(38,754)
Conservation	2,545	-	-	-	(2,545)
Interest on long-term debt	12,133	-	-	-	(12,133)
Total governmental activities	<u>\$ 2,136,631</u>	<u>\$ 24,958</u>	<u>\$ 157,915</u>	<u>\$ 29,208</u>	<u>(1,924,550)</u>
General revenues:					
Taxes:					
Property					1,359,040
Other					61,056
Motor vehicle permit fees					328,401
Licenses and other fees					10,608
Grants and contributions not restricted to specific programs					86,349
Unrestricted investment earnings					79,493
Miscellaneous					52,075
Total general revenues					<u>1,977,022</u>
Change in net position					52,472
Net position, beginning					4,717,667
Net position, ending					<u>\$ 4,770,139</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-1
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2017

	General	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,627,643	\$ 29,529	\$ 43,516	\$ 1,700,688
Investments	35,016	605,143	-	640,159
Accounts receivable	4,275	-	240	4,515
Taxes receivable	463,135	-	-	463,135
Interfund receivable	4,992	-	-	4,992
Tax dedeed property, subject to resale	34,622	-	-	34,622
Restricted assets:				
Cash and cash equivalents	159,518	-	-	159,518
Total assets	<u>\$ 2,329,201</u>	<u>\$ 634,672</u>	<u>\$ 43,756</u>	<u>\$ 3,007,629</u>
LIABILITIES				
Accounts payable	\$ 28,807	\$ -	\$ -	\$ 28,807
Intergovernmental payables	1,573,025	-	-	1,573,025
Interfund payable	-	4,968	24	4,992
Total liabilities	<u>1,601,832</u>	<u>4,968</u>	<u>24</u>	<u>1,606,824</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - Property taxes	144,697	-	-	144,697
FUND BALANCES				
Nonspendable	34,622	585,407	-	620,029
Restricted	-	44,297	-	44,297
Committed	159,518	-	43,732	203,250
Assigned	54,099	-	-	54,099
Unassigned	334,433	-	-	334,433
Total fund balances	<u>582,672</u>	<u>629,704</u>	<u>43,732</u>	<u>1,256,108</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,329,201</u>	<u>\$ 634,672</u>	<u>\$ 43,756</u>	<u>\$ 3,007,629</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-2
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position
December 31, 2017

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances of governmental funds (Exhibit C-1)		\$ 1,256,108
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 6,625,605	
Less accumulated depreciation	<u>(2,159,026)</u>	4,466,579
Certain items are not current financial resources in the governmental funds, but instead are reported in the Statement of Net Position.		
Deferred outflows of resources related to pensions	\$ 116,432	
Deferred inflows of resources related to pensions	<u>(41,659)</u>	74,773
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (4,992)	
Payables	<u>4,992</u>	-
Other long-term assets are not available to pay for current period expenditures, and therefore, are reported as unavailable revenue in the funds.		101,920
Allowance for uncollectible property taxes that is recognized on a full accrual basis but not on the modified accrual basis.		(30,000)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(14,343)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bond	\$ 125,000	
Capital leases	369,905	
Compensated absences	13,382	
Net pension liability	<u>576,611</u>	<u>(1,084,898)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 4,770,139</u></u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-3
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2017

	General	Permanent	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,387,006	\$ -	\$ 1,250	\$ 1,388,256
Licenses and permits	339,009	-	-	339,009
Intergovernmental	273,472	-	-	273,472
Charges for services	14,343	-	6,615	20,958
Miscellaneous	58,850	76,452	266	135,568
Total revenues	<u>2,072,680</u>	<u>76,452</u>	<u>8,131</u>	<u>2,157,263</u>
EXPENDITURES				
Current:				
General government	322,560	8,570	-	331,130
Public safety	511,932	-	784	512,716
Highways and streets	657,445	-	-	657,445
Sanitation	156,751	-	-	156,751
Health	22,797	-	-	22,797
Welfare	13,198	-	-	13,198
Culture and recreation	38,754	-	-	38,754
Conservation	886	-	1,659	2,545
Debt service:				
Principal	25,000	-	-	25,000
Interest	5,912	-	-	5,912
Capital outlay	597,017	-	-	597,017
Total expenditures	<u>2,352,252</u>	<u>8,570</u>	<u>2,443</u>	<u>2,363,265</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(279,572)</u>	<u>67,882</u>	<u>5,688</u>	<u>(206,002)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,968	-	-	4,968
Transfers out	-	(4,968)	-	(4,968)
Capital leases	174,860	-	-	174,860
Total other financing sources (uses)	<u>179,828</u>	<u>(4,968)</u>	<u>-</u>	<u>174,860</u>
Net change in fund balances	(99,744)	62,914	5,688	(31,142)
Fund balances, beginning	682,416	566,790	38,044	1,287,250
Fund balances, ending	<u>\$ 582,672</u>	<u>\$ 629,704</u>	<u>\$ 43,732</u>	<u>\$ 1,256,108</u>

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT C-4
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2017

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

Net change in fund balances of governmental funds (Exhibit C-3) \$ (31,142)

Governmental funds report capital outlays as expenditures. 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 capitalized capital outlay exceeded depreciation expense in the current period.

Capitalized capital outlay	\$ 405,263	
Depreciation expense	<u>(230,969)</u>	174,294

The net effect of various miscellaneous transactions involving capital assets (ie. sales and donations) is to decrease net position. (38,556)

Transfers in and out between governmental funds are eliminated on the Statement of Activities.

Transfers in	\$ (4,968)	
Transfers out	<u>4,968</u>	-

Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.

Change in deferred tax revenue		31,840
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Inception of capital leases	\$ (174,860)	
Repayment of bond principal	25,000	
Repayment of capital leases	<u>92,129</u>	(57,731)

Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.

Increase in accrued interest expense	\$ (6,221)	
Decrease in compensated absences payable	285	
Net increase in net pension liability and deferred outflows and inflows related to pensions	<u>(20,297)</u>	<u>(26,233)</u>

Changes in net position of governmental activities (Exhibit B)		<u><u>\$ 52,472</u></u>
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EXHIBIT D
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2017

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 1,408,052	\$ 1,408,052	\$ 1,418,846	\$ 10,794
Licenses and permits	307,000	307,000	339,009	32,009
Intergovernmental	170,396	272,262	273,472	1,210
Charges for services	16,000	16,000	14,343	(1,657)
Miscellaneous	54,000	54,000	54,708	708
Total revenues	<u>1,955,448</u>	<u>2,057,314</u>	<u>2,100,378</u>	<u>43,064</u>
EXPENDITURES				
Current:				
General government	329,087	329,087	322,560	6,527
Public safety	352,164	352,164	337,072	15,092
Highways and streets	604,756	677,414	657,445	19,969
Sanitation	160,891	160,891	156,751	4,140
Health	25,453	25,453	22,797	2,656
Welfare	20,000	20,000	13,198	6,802
Culture and recreation	39,075	39,075	38,754	321
Conservation	1,411	1,411	886	525
Debt service:				
Principal	25,000	25,000	25,000	-
Interest	8,210	8,210	5,912	2,298
Capital outlay	335,301	620,544	651,116	(30,572)
Total expenditures	<u>1,901,348</u>	<u>2,259,249</u>	<u>2,231,491</u>	<u>27,758</u>
Excess (deficiency) of revenues over (under) expenditures	<u>54,100</u>	<u>(201,935)</u>	<u>(131,113)</u>	<u>70,822</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,900	5,900	4,968	(932)
Transfers out	(60,000)	(60,000)	(60,000)	-
Total other financing sources (uses)	<u>(54,100)</u>	<u>(54,100)</u>	<u>(55,032)</u>	<u>(932)</u>
Net change in fund balances	<u>\$ -</u>	<u>\$ (256,035)</u>	(186,145)	<u>\$ 69,890</u>
Decrease in nonspendable fund balance			10,581	
Decrease in restricted fund balance			68,588	
Unassigned fund balance, beginning			513,329	
Unassigned fund balance, ending			<u>\$ 406,353</u>	

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-1
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Fiduciary Funds
Statement of Net Position
December 31, 2017

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ 30,991	\$ 4,870
Investments	635,125	-
Total assets	666,116	4,870
LIABILITIES		
Due to others	-	4,870
NET POSITION		
Held in trust for specific purposes	\$ 666,116	\$ -

The notes to the basic financial statements are an integral part of this statement.

EXHIBIT E-2
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended December 31, 2017

	Private Purpose Trust
ADDITIONS	
Interest	\$ 14,826
Change in fair market value	62,392
Total revenue	77,218
DEDUCTIONS	
Scholarships	7,635
Change in net position	69,583
Net position, beginning	596,533
Net position, ending	\$ 666,116

The notes to the basic financial statements are an integral part of this statement.

TOWN OF ALEXANDRIA, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017

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TOWN OF ALEXANDRIA, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Alexandria, New Hampshire (the Town), have been prepared in conformity with accounting principles generally accepted in the United States of America for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town’s accounting policies are described below.

1-A Reporting Entity

The Town of Alexandria is a municipal corporation governed by an elected 3-member Board of Selectmen. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

1-B Basis of Accounting, and Measurement Focus

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements - The Town’s government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Town’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Town are reported in two categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

Governmental Fund Financial Statements – Include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The Town has presented all major funds that met those qualifications.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement based grants, which use a period of one year. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

TOWN OF ALEXANDRIA, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

General Fund – is the Town’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, culture and recreation, debt service and capital outlay. Under GASB Statement No. 54 guidance the expendable trust funds are consolidated in the general fund.

Permanent Funds – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town.

Additionally, the Town reports the following fund type:

Special Revenue Funds - are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements.

Fiduciary Fund Financial Statements - Include a Statement of Net Position and a Statement of Changes in Net Position. The Town’s fiduciary funds are Private Purpose Trust and Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. These funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting.

The Town also reports the following fiduciary funds:

Private Purpose Trust Fund – are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments.

Agency Fund – are custodial in nature and do not involve the measurement of operating results. An agency fund is used to account for assets held on behalf of outside parties, including other governments.

1-C Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts.

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-D Restricted Assets

Certain Town assets are classified as restricted assets because their use is restricted by statutory limitation, or they are earmarked for specific purposes.

1-E Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,

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- Savings bank deposits,
- Certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the State treasurer.

Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Fair Value Measurements of Investments – In accordance with GASB Statement No. 72 *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date. Directly held marketable equity securities would be examples of Level 1 investments.

Level 2 inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2.

Level 3 inputs are significant unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the Town and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

In determining fair value, the Town utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Investments in Certain External Investment Pools – In accordance with GASB Statement No. 79, the Town held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP) are categorized as Level 2. The NHPDIP measures all of its investments at amortized cost. There are no redemption restrictions and shares may be redeemed by the Town in accordance with the NHPDIP's Information Statement.

1-F Receivables

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-G Capital Assets

Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), and intangible assets (i.e. easements) which are reported in the government-wide financial statements. The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the governmental activities column of the government-wide Statement of Net Position.

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Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are carried at historical cost or estimated historical cost. When the cost of the capital assets cannot be determined from available records, estimated historical cost is used. Donated capital assets received on or prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

Capital Asset Classes:	<u>Years</u>
Land improvements	30
Buildings and building improvements	50 - 126
Machinery, equipment, and vehicles	8 - 30
Infrastructure	50

1-H Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e. the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-I Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 2, 2017 and November 1, 2017, and due on July 6, 2017 and December 28, 2017. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Newfound Area School District, and Grafton County, which are remitted to these entities as required by law.

The Town net assessed valuation as of April 1, 2017 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 178,632,093
For all other taxes	\$ 196,640,493

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The tax rates and amounts assessed for the year ended December 31, 2017 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$ 7.16	\$ 1,408,860
School portion:		
State of New Hampshire	2.22	396,341
Local	14.03	2,758,661
County portion	1.76	345,600
Total	\$ 25.17	\$ 4,909,462

1-J Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2017.

1-K Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses/expenditure) until then.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

1-L Long-term Obligations

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

1-M Compensated Absences

Vacation Leave - The Town's policy allows certain employees to earn varying amounts of vacation based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by personnel policy. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

Sick Leave - Accumulated sick leave lapses when employees leave the employ of the Town and, upon separation from service, no monetary obligation exists.

1-N Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No.73* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules are prepared by New Hampshire Retirement System, and are audited by the plan's independent auditors.

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1-O Net Position/Fund Balances

Government-wide Statements – Equity is classified as net position and displayed in three components:

- a) *Net investment in capital assets* – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of net investment in capital assets.
- b) *Restricted net position* – Consists of net position with constraints placed on use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c) *Unrestricted net position* – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government’s fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, inventory or tax deeded property subject to resale); or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.

Unassigned – This classification includes the amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When multiple net position/fund balance classifications are available for use, it is the government’s policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

In the general fund, the Town strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 5-10% of the sum of the total operating budget and property tax commitment for the school and county.

1-P Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, and the useful lives and impairment of tangible and intangible assets, among others. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

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NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town’s operations. At its annual meeting, the Town adopts a budget for the current year for the general fund. Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2017, none of the beginning general fund unassigned fund balance was applied for this purpose. However, \$256,035 was approved by the NH Department of Revenue Administration to be used from the unassigned fund balance to cover emergency expenditures to repair road damage as a result of heavy rains and winds overnight from the October 29-30th 2017 storm. This approval was granted on November 6, 2017.

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

The following reconciles the general fund budgetary basis to the GAAP basis:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 2,105,346
Adjustment:	
Basis difference:	
Inception of capital leases	174,860
GASB Statement No. 54:	
To record miscellaneous income of the blended expenable trust funds	4,142
Change in deferred tax revenue relating to 60-day revenue recognition	<u>(31,840)</u>
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 2,252,508</u></u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 2,291,491
Adjustment:	
Basis differences:	
Inception of capital leases	174,860
Encumbrances, ending	(54,099)
GASB Statement No. 54:	
To eliminate transfers between general and blended funds	<u>(60,000)</u>
Per Exhibit C-3 (GAAP basis)	<u><u>\$ 2,352,252</u></u>

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DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits was \$1,896,067 and the bank balances totaled \$1,751,320. Petty cash totaled \$650.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 1,860,206
Cash per Statement of Net Position - Fiduciary Fund (Exhibit E-1)	35,861
Total cash and cash equivalents	<u>\$ 1,896,067</u>

Repurchase Agreement – Included in the Town's cash equivalents at December 31, 2017, is a short-term investment in a repurchase agreement issued by a local banking institution. Under this agreement, the Town will be repaid principal plus interest on a specified date which is subsequent to year-end. The agreement is guaranteed/collateralized with securities held by the banking institution which equal the amount of the agreement. To the extent that the banking institution may default on its commitment to this obligation, the Town is at risk of economic loss. Management considers this exposure to be minimal. At December 31, 2017, the Town held an investment in the following repurchase agreements:

Amount	Interest Rate %	Maturity Date	Collateral Pledged	
			Underlying Securities	Market Value
\$ 43,319	2.50%	3/20/44	GNMA - II	\$ 180,027
\$ 166,484	4.87%	4/1/38	FNMV	\$ 166,484
\$ 288,363	3.44%	2/1/40	FNMV	\$ 299,363
\$ 240,612	2.37%	2/20/42	GNMA	\$ 240,612
\$ 115,410	3.50%	11/16/38	GNC	\$ 115,410
\$ 207,403	2.37%	3/20/42	GNMA	\$ 207,403
\$ 74,761	2.75%	7/20/43	GN2V	\$ 208,005

Custodial Credit Risk – The Town's repurchase agreements are all with banking institutions; therefore, are subject to custodial credit risk. The custodial credit risk is the risk that in the event of bank failure, the Town's deposits may not be recovered.

Interest Rate Risk – The term repurchase agreements are also subject to interest rate risk. Interest rate risk is the risk that changes in interest rates will adversely affect the value of the Town's investments.

NOTE 4 – RESTRICTED ASSETS

Cash is classified as restricted for the following purposes:

Cash and cash equivalents:	
General fund:	
Capital reserve funds	<u>\$ 159,518</u>

NOTE 5 – INVESTMENTS

Note 1-E describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

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

	Valuation Measurement	Fair Value
	<u>Method</u>	
Investments type:		
Domestic equity mutual funds	Level 1	\$ 33,240
International equity mutual funds	Level 1	117,954
Closed end equity mutual funds	Level 1	543,353
Taxable fixed income funds	Level 1	545,721
New Hampshire Public Deposit Investment Pool	Level 2	35,016
Total fair value		<u>\$ 1,275,284</u>

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

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty (e.g. broker/dealer) to honor a transaction, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Town does not have custodial credit risk policies for investments.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 640,159
Investments per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	635,125
Total investments	<u>\$ 1,275,284</u>

NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2017. The amount has been reduced by an allowance for an estimated uncollectible amount of \$30,000. Taxes receivable by year are as follows:

	As reported on:	
	<u>Exhibit A</u>	<u>Exhibit C-1</u>
Property:		
Levy of 2017	\$ 342,197	\$ 342,197
Unredeemed (under tax lien):		
Levy of 2016	77,276	77,276
Levy of 2015	40,125	40,125
Levies of 2014 and prior	3,537	3,537
Less: allowance for estimated uncollectible taxes	(30,000) *	-
Net taxes receivable	<u>\$ 433,135</u>	<u>\$ 463,135</u>

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60-day rule as explained in Note 1-C. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

NOTE 7 – OTHER RECEIVABLES

Receivables at December 31, 2017, consisted of accounts (billings for police details, reimbursements, and other user charges). Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

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NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 130,725	\$ -	\$ -	\$ 130,725
Being depreciated:				
Land improvements	14,000	-	-	14,000
Buildings and building improvements	1,634,713	-	-	1,634,713
Machinery, equipment, and vehicles	1,791,241	265,263	(101,988)	1,954,516
Infrastructure	2,751,651	140,000	-	2,891,651
Total capital assets being depreciated	<u>6,191,605</u>	<u>405,263</u>	<u>(101,988)</u>	<u>6,494,880</u>
Total all capital assets	<u>6,322,330</u>	<u>405,263</u>	<u>(101,988)</u>	<u>6,625,605</u>
Less accumulated depreciation:				
Land improvements	(7,606)	(953)	-	(8,559)
Buildings and building improvements	(369,188)	(26,806)	-	(395,994)
Machinery, equipment, and vehicles	(799,516)	(113,164)	63,432	(849,248)
Infrastructure	(815,179)	(90,046)	-	(905,225)
Total accumulated depreciation	<u>(1,991,489)</u>	<u>(230,969)</u>	<u>63,432</u>	<u>(2,159,026)</u>
Net book value, capital assets being depreciated	<u>4,200,116</u>	<u>174,294</u>	<u>(38,556)</u>	<u>4,335,854</u>
Net book value, all capital assets	<u>\$ 4,330,841</u>	<u>\$ 174,294</u>	<u>\$ (38,556)</u>	<u>\$ 4,466,579</u>

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

General government	\$ 14,372
Public safety	15,674
Highways and streets	198,859
Sanitation	2,064
Total depreciation expense	<u>\$ 230,969</u>

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General	Permanent	\$ 4,968
	Nonmajor	24
		<u>\$ 4,992</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2017 is as follows:

	<u>Transfers In:</u>
	General
	Fund
Transfers out:	
Permanent fund	<u>\$ 4,968</u>

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During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

NOTE 10 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$1,573,025 at December 31, 2017 consist of the balance of the 2017-2018 assessment due to Newfound Area School District for \$1,566,965; \$6,024 due to the NH Retirement System; \$28 due to the State of NH for unemployment compensation; and \$8 due to Grafton County.

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of \$116,432 reported in the government wide activities at December 31, 2017 consist of deferred amounts related to pensions.

Deferred inflows of resources reported are as follows:

	General Fund	Government- wide Financial Statements
Deferred property taxes not collected within 60 days of fiscal year-end	\$ 101,920	\$ -
Property taxes collected in advance	42,777	42,777
Amounts related to pensions	-	41,659
Total deferred inflows of resources	\$ 144,697	\$ 84,436

See Note 14 for further information on pension related deferrals.

NOTE 12 – CAPITAL LEASE OBLIGATIONS

The Town has entered into certain capital lease agreements under which the related equipment will become the property of the Town when all the terms of the lease agreements are met.

	Standard Interest Rate	Present Value of Remaining Payments as of December 31, 2017
Capital lease obligations:		
Freightliner truck	3.33%	\$ 128,434
Ford police interceptor	6.50%	9,620
Office server	7.61%	6,370
Backhoe loader	3.10%	91,310
Highway truck	4.75%	55,151
Self contained breathing apparatus	3.19%	79,020
Total capital lease obligations		\$ 369,905

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Leased equipment under capital leases, included in capital assets, is as follows:

	<u>Governmental Activities</u>
Equipment:	
Freightliner truck	\$ 180,000
Ford police interceptor	28,897
Office server	10,691
Backhoe loader	135,500
Highway truck	67,802
Self contained breathing apparatus	107,058
Total equipment	<u>529,948</u>
Less: accumulated depreciation	<u>153,319</u>
Total capital lease equipment	<u><u>\$ 376,629</u></u>

The annual requirements to amortize the capital leases payable as of December 31, 2017, including interest payments, are as follows:

<u>Fiscal Year Ending December 31,</u>	<u>Governmental Activities</u>
2018	\$ 102,324
2019	92,079
2020	89,762
2021	60,952
2022	60,951
Total requirements	<u>406,068</u>
Less: interest	<u>36,163</u>
Present value of remaining payments	<u><u>\$ 369,905</u></u>

Amortization of lease equipment under capital assets is included with depreciation expense.

NOTE 13 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2017:

	<u>Balance January 1, 2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance December 31, 2017</u>	<u>Due Within One Year</u>
General obligation bond payable	\$ 150,000	\$ -	\$ (25,000)	\$ 125,000	\$ 25,000
Capital leases	287,174	174,860	(92,129)	369,905	89,064
Compensated absences	13,667	-	(285)	13,382	-
Pension related liability	630,248	-	(53,637)	576,611	-
Total long-term liabilities	<u>\$ 1,081,089</u>	<u>\$ 174,860</u>	<u>\$ (171,051)</u>	<u>\$ 1,084,898</u>	<u>\$ 114,064</u>

The long-term bond is comprised of the following:

	<u>Original Amount</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate %</u>	<u>Outstanding at December 31, 2017</u>	<u>Current Portion</u>
General obligation bond payable:						
Town shed	\$ 500,000	2002	2022	3.0-5.0	<u>\$ 125,000</u>	<u>\$ 25,000</u>

TOWN OF ALEXANDRIA, NEW HAMPSHIRE
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The annual requirements to amortize the general obligation bond outstanding as of December 31, 2017, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2018	\$ 25,000	\$ 5,224	\$ 30,224
2019	25,000	5,000	30,000
2020	25,000	3,750	28,750
2021	25,000	2,500	27,500
2022	25,000	1,250	26,250
Totals	<u>\$ 125,000</u>	<u>\$ 17,724</u>	<u>\$ 142,724</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

NOTE 14 – DEFINED BENEFIT PENSION PLAN

Plan Description: The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), 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 Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

Benefits Provided: 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 available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by ¼ of 1% or age 60.

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

Contributions: The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation.

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For fiscal year 2017, the Town contributed the following amounts:

Period	Police	Fire	All Other Employees
January 1, 2017 thru June 30,2017	26.38%	29.16%	11.17%
July 1, 2017 thru December 31, 2017	29.43%	31.89%	11.38%

The contribution requirements for the fiscal years 2015, 2016, and 2017 were \$44,316, \$46,565, and \$48,993, respectively, which were paid in full in each year.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions: At December 31, 2017 the Town reported a liability of \$576,611 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2017, the Town's proportion was 0.01172452% which was a decrease of 0.00012761% from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Town recognized pension expense of \$63,292. At December 31, 2017 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 35,828	\$ 26,977
Changes in assumptions	57,899	-
Net difference between projected and actual investment earnings on pension plan investments	-	7,343
Differences between expected and actual experience	1,307	7,339
Contributions subsequent to the measurement date	21,398	-
Total	<u>\$ 116,432</u>	<u>\$ 41,659</u>

The \$21,398 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	
2018	\$ 12,741
2019	26,002
2020	24,388
2021	(9,756)
Thereafter	-
Totals	<u>\$ 53,375</u>

Actuarial Assumptions: The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2016, using the following actuarial assumptions which, accordingly apply to 2017 measurements:

Inflation:	2.5%
Salary increases:	5.6% average, including inflation
Investment rate of return:	7.25% 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 last experience study.

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

Long-term Rates of Return: The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2017:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2017</u>
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	<u>30.00%</u>	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.25%
Total international equity	<u>20.00%</u>	
Core Bonds	5.00%	0.75%
Short Duration	2.00%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	2.11%
Absolute Return Fixed Income	7.00%	1.26%
Total fixed income	<u>25.00%</u>	
Private equity	5.00%	6.25%
Private debt	5.00%	4.75%
Opportunistic	5.00%	2.84%
Total alternative investments	<u>15.00%</u>	
Real estate	10.00%	3.25%
Total	<u><u>100.00%</u></u>	

Discount Rate: The discount rate used to measure the collective total 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 service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2017	\$ 759,656	\$ 576,611	\$ 426,613

TOWN OF ALEXANDRIA, NEW HAMPSHIRE
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Pension Plan Fiduciary Net Position: Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

NOTE 15 – ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2017 and are as follows:

General fund:	
Capital outlay	<u>\$ 54,099</u>

NOTE 16 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the government-wide Statement of Net Position at December 31, 2017 include the following:

Net investment in capital assets:	
Net book value, all capital assets	\$ 4,466,579
Less:	
General obligation bond payable	(125,000)
Capital leases payable	<u>(369,905)</u>
Total net investment in capital assets	<u>3,971,674</u>
Restricted net position:	
Perpetual care - nonexpendable	585,407
Perpetual care - expendable	<u>44,297</u>
Total restricted net position	<u>629,704</u>
Unrestricted	<u>168,761</u>
Total net position	<u>\$ 4,770,139</u>

NOTE 17 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2017 include the following:

	General Fund	Permanent Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:				
Tax deeded property	\$ 34,622	\$ -	\$ -	\$ 34,622
Permanent fund - principal balance	-	585,407	-	585,407
Total nonspendable fund balance	<u>34,622</u>	<u>585,407</u>	<u>-</u>	<u>620,029</u>
Restricted:				
Permanent - income balance	-	44,297	-	44,297
Committed:				
Expendable trust	159,518	-	-	159,518
Conservation commission	-	-	19,660	19,660
Police detail	-	-	1,768	1,768
Transfer station	-	-	22,304	22,304
Total committed fund balance	<u>159,518</u>	<u>-</u>	<u>43,732</u>	<u>203,250</u>
Assigned:				
Encumbrances	54,099	-	-	54,099
Unassigned	<u>334,433</u>	<u>-</u>	<u>-</u>	<u>334,433</u>
Total governmental fund balances	<u>\$ 582,672</u>	<u>\$ 629,704</u>	<u>\$ 43,732</u>	<u>\$ 1,256,108</u>

TOWN OF ALEXANDRIA, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
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NOTE 18 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2017, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pool, currently operating as common risk management and insurance programs for member Towns and cities.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from July 1, 2017 to July 1, 2018 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Alexandria billed and paid for the year ended December 31, 2017 was \$11,390 for workers' compensation and \$21,339 for property/liability.

NOTE 19 – CONTINGENT LIABILITIES

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 20 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through June 1, 2018, the date the December 31, 2017 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2017

Fiscal Year End	Valuation Date	Town's Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Town Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
December 31, 2017	June 30, 2017	0.01172452%	\$ 576,611	\$ 301,651	191.15%	62.66%
December 31, 2016	June 30, 2016	0.01185213%	\$ 630,248	\$ 292,288	215.63%	58.30%
December 31, 2015	June 30, 2015	0.01056116%	\$ 418,383	\$ 282,069	148.33%	65.47%
December 31, 2014	June 30, 2014	0.01175879%	\$ 441,376	\$ 354,051	124.66%	66.32%
December 31, 2013	June 30, 2013	0.01148849%	\$ 494,440	\$ 421,950	117.18%	59.81%

The note to the required supplementary information is an integral part of this schedule.

EXHIBIT G
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Schedule of Town Contributions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2017

Fiscal Year End	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2017	June 30, 2017	\$ 42,952	\$ 42,952	\$ -	\$ 301,651	14.24%
December 31, 2016	June 30, 2016	\$ 42,440	\$ 42,440	\$ -	\$ 292,288	14.52%
December 31, 2015	June 30, 2015	\$ 35,431	\$ 35,431	\$ -	\$ 282,069	12.56%
December 31, 2014	June 30, 2014	\$ 38,148	\$ 38,148	\$ -	\$ 354,051	10.77%
December 31, 2013	June 30, 2013	\$ 28,567	\$ 28,567	\$ -	\$ 421,950	6.77%

The note to the required supplementary information is an integral part of this schedule.

TOWN OF ALEXANDRIA, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017

Schedule of the Town’s Proportionate Share of Net Pension Liability & Schedule of Town Contributions

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the Town’s pension plan at December 31, 2017, and preceding four years.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2017:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	22 Years beginning July 1, 2017 (30 years beginning July 1, 2009)
Asset Valuation Method	5-Year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.56% per year
Investment Rate of Return	7.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

Other Information:

Notes	Contribution rates for Fiscal Year 2014 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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These schedules are presented to show information for 10 years. However, information is only presented for years which information is available.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2017

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,350,597	\$ 1,358,965	\$ 8,368
Land use change	1,250	1,250	-
Yield	13,000	12,555	(445)
Payment in lieu of taxes	3,205	4,275	1,070
Interest and penalties on taxes	40,000	41,801	1,801
Total from taxes	<u>1,408,052</u>	<u>1,418,846</u>	<u>10,794</u>
Licenses, permits, and fees:			
Motor vehicle permit fees	300,000	328,401	28,401
Building permits	1,000	100	(900)
Other	6,000	10,508	4,508
Total from licenses, permits, and fees	<u>307,000</u>	<u>339,009</u>	<u>32,009</u>
Intergovernmental:			
State:			
Meals and rooms distribution	84,486	84,486	-
Highway block grant	157,916	157,915	(1)
State and federal forest land reimbursement	652	652	-
Federal:			
Other	29,208	30,419	1,211
Total from intergovernmental	<u>272,262</u>	<u>273,472</u>	<u>1,210</u>
Charges for services:			
Income from departments	16,000	14,343	(1,657)
Miscellaneous:			
Sale of municipal property	53,000	50,566	(2,434)
Interest on investments	-	3,073	3,073
Insurance dividends and reimbursements	-	46	46
Other	1,000	1,023	23
Total from miscellaneous	<u>54,000</u>	<u>54,708</u>	<u>708</u>
Other financing sources:			
Transfers in	5,900	4,968	(932)
Total revenues and other financing sources	2,063,214	<u>\$ 2,105,346</u>	<u>\$ 42,132</u>
Amounts voted from fund balance	256,035		
Total revenues, other financing sources, and use of fund balance	<u>\$ 2,319,249</u>		

SCHEDULE 2
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2017

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbered to Subsequent Year</u>	<u>Variance Positive (Negative)</u>
Current:				
General government:				
Executive	\$ 70,110	\$ 78,423	\$ -	\$ (8,313)
Election and registration	7,606	9,635	-	(2,029)
Financial administration	96,280	88,960	-	7,320
Revaluation of property	14,906	13,515	-	1,391
Legal	34,200	22,539	-	11,661
Planning and zoning	7,230	5,897	-	1,333
General government buildings	37,350	41,138	-	(3,788)
Cemeteries	14,540	14,658	-	(118)
Insurance, not otherwise allocated	22,700	21,339	-	1,361
Advertising and regional associations	21,115	21,114	-	1
Other	3,050	5,342	-	(2,292)
Total general government	<u>329,087</u>	<u>322,560</u>	<u>-</u>	<u>6,527</u>
Public safety:				
Police	242,906	245,617	-	(2,711)
Ambulance	53,040	53,040	-	-
Fire	47,650	27,569	-	20,081
Emergency management	8,568	10,846	-	(2,278)
Total public safety	<u>352,164</u>	<u>337,072</u>	<u>-</u>	<u>15,092</u>
Highways and streets:				
Highways and streets	571,756	570,096	-	1,660
Bridges	102,658	82,792	-	19,866
Street lighting	3,000	3,072	-	(72)
Other	-	1,485	-	(1,485)
Total highways and streets	<u>677,414</u>	<u>657,445</u>	<u>-</u>	<u>19,969</u>
Sanitation:				
Solid waste disposal	160,891	156,751	-	4,140
Total sanitation	<u>160,891</u>	<u>156,751</u>	<u>-</u>	<u>4,140</u>
Health:				
Administration	4,000	1,344	-	2,656
Health agencies	21,453	21,453	-	-
Total health	<u>25,453</u>	<u>22,797</u>	<u>-</u>	<u>2,656</u>
Welfare:				
Administration	-	88	-	(88)
Direct assistance	20,000	13,110	-	6,890
Total welfare	<u>20,000</u>	<u>13,198</u>	<u>-</u>	<u>6,802</u>
Culture and recreation:				
Parks and recreation	33,575	33,563	-	12
Library	5,000	5,000	-	-
Patriotic purposes	500	191	-	309
Total culture and recreation	<u>39,075</u>	<u>38,754</u>	<u>-</u>	<u>321</u>
Conservation	1,411	886	-	525
Debt service:				
Principal of long-term debt	25,000	25,000	-	-
Interest on long-term debt	8,000	5,912	-	2,088
Interest on tax anticipation notes	210	-	-	210
Total debt service	<u>33,210</u>	<u>30,912</u>	<u>-</u>	<u>2,298</u>

SCHEDULE 2 (Continued)
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2017

	<u>Appropriations</u>	<u>Expenditures</u>	<u>Encumbered to Subsequent Year</u>	<u>Variance Positive (Negative)</u>
Capital outlay	620,544	597,017	54,099	(30,572)
Other financing uses:				
Transfers out	60,000	60,000	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 2,319,249</u>	<u>\$ 2,237,392</u>	<u>\$ 54,099</u>	<u>\$ 27,758</u>

SCHEDULE 3
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2017

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 513,329
Changes:		
Amounts voted from fund balance		(256,035)
2017 Budget summary:		
Revenue surplus (Schedule 1)	\$ 42,132	
Unexpended balance of appropriations (Schedule 2)	<u>27,758</u>	
2017 Budget surplus		69,890
Decrease in nonspendable fund balance		10,581
Decrease in restricted fund balance		<u>68,588</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		406,353
Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(101,920)
Elimination of the allowance for uncollectible taxes		<u>30,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 334,433</u></u>

SCHEDULE 4
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2017

	Special Revenue Funds			Total
	Conservation Commission	Police Detail	Transfer Station	
ASSETS				
Cash and cash equivalents	\$ 19,660	\$ 1,552	\$ 22,304	\$ 43,516
Accounts receivable	-	240	-	240
Total assets	<u>\$ 19,660</u>	<u>\$ 1,792</u>	<u>\$ 22,304</u>	<u>\$ 43,756</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Interfund payable	\$ -	\$ 24	\$ -	\$ 24
Fund balances:				
Committed	19,660	1,768	22,304	43,732
Total liabilities and fund balances	<u>\$ 19,660</u>	<u>\$ 1,792</u>	<u>\$ 22,304</u>	<u>\$ 43,756</u>

SCHEDULE 5
TOWN OF ALEXANDRIA, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2017

	Special Revenue Funds			Total
	Conservation Commission	Police Detail	Transfer Station	
Revenues:				
Taxes	\$ 1,250	\$ -	\$ -	\$ 1,250
Charges for services	-	1,001	5,614	6,615
Miscellaneous	253	-	13	266
Total revenues	<u>1,503</u>	<u>1,001</u>	<u>5,627</u>	<u>8,131</u>
Expenditures:				
Current:				
Public safety	-	784	-	784
Conservation	1,659	-	-	1,659
Total expenditures	<u>1,659</u>	<u>784</u>	<u>-</u>	<u>2,443</u>
Net change in fund balances	(156)	217	5,627	5,688
Fund balances, beginning	19,816	1,551	16,677	38,044
Fund balances, ending	<u>\$ 19,660</u>	<u>\$ 1,768</u>	<u>\$ 22,304</u>	<u>\$ 43,732</u>



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX 603-224-1380

INDEPENDENT AUDITOR'S COMMUNICATION OF SIGNIFICANT DEFICIENCY

To the Members of the Board of Selectmen
Town of Alexandria
Alexandria, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Alexandria as of and for the year ended December 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Town of Alexandria's internal control over financial reporting as a basis for designing audit procedures that are appropriate in circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to error or fraud may occur and not be detected by such controls. However, as discussed below, we identified a deficiency in internal control that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and correct, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiency to be a significant deficiency:

Transfer Station Cash Receipts (Repeat Comment)

During our review of the internal controls over the Transfer Station receipts, it was noted that cash receipts were not kept in a secure location prior to deposit. The Transfer Station attendants will take funds home with them to avoid leaving funds at the Transfer Station. This practice opens the Town up to the threat of a loss or theft of cash while it is in the attendant's possession. We recommend that all receipts be kept in a secure location (at Town Hall, or secured at the Transfer Station) prior to deposit to the Town's bank account.

This communication is intended solely for the information and use of management, Board of Selectmen, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

June 1, 2018

*Plodzik & Sanderson
Professional Association*