

TOWN OF PETERBOROUGH, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

**TOWN OF PETERBOROUGH, NEW HAMPSHIRE
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Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Peterborough as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Peterborough, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof, and the budgetary comparisons for the major governmental funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the Town's total OPEB liability and related ratios, schedule of the Town's proportionate share of the net pension liability, and the schedules of the Town's pension contributions on pages 3-6 and 45-49 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 and economic 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's basic financial statements. The combining nonmajor and individual general fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They 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 and individual general fund schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Roberts & Heene, PLLC

Concord, New Hampshire
March 19, 2019

The Town of Peterborough, New Hampshire, offers visitors and the citizens of the Town a financial statement narrative overview. This is an analysis of the financial activities of the Town of Peterborough for the fiscal year starting July 1, 2017 and ending June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information located within the financial statements. All amounts, unless otherwise stated, are expressed in whole dollars.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Town of Peterborough's basic financial statements and Annual Audit. The basic financial statements comprise three components:

- **Governmental and Business-type financial statements**
- **Fund financial statements**
- **Notes to the financial statements**

This report also contains other supplementary information in addition to the basic financial statements such as statistics detailing, general population fluctuations, infrastructure changes and overall economic condition indicators.

Town Government Financial Statements- The government financial statements are comprised of the Statement of Net Position and the Statement of Activities. These two statements are designed to provide readers with a broad overview of the Town's finances utilizing the full accrual method of accounting such as with private-sector businesses.

The statement of net position represents information on all assets including capital and both long and short-term liabilities. The difference between the assets and liabilities are reported as the net position. Increases or decreases in net position serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The statement of activities presents information which shows changes to the Town's net position during the most recent fiscal year. All changes in net position are reported as soon as the underlying event occurs; expenses are reported for some items which will only result in future fiscal period cash flows (e.g. uncollected taxes and earned but unused vacation leave).

The government financial statements distinguish the functions of the Town which are principally supported by taxes and the intergovernmental revenues (governmental activities) from other functions which are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety (fire, police, & ambulance), highway and streets, sanitation, health & welfare, parks and recreation, conservation and library. The business-type functions include water and sewer activities.

Fund Financial Statements- The fund financial statements focus on current available resources and are organized and operated on a ***Fund Basis***. A fund is a grouping of related accounts which are used to maintain control over segregated resources for specific activities or objectives. Fund Accounting is used to ensure and demonstrate compliance with related legal requirements.

All funds are divided into three basic sub-categories:

- ☞ **Governmental Funds**
- ☞ **Proprietary Funds**
- ☞ **Fiduciary Funds**

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year, which is useful in evaluating a government's near-term financing requirements. Governmental fund statements show more detail than the government-wide financial statements and they are used to display comparisons presented for governmental funds with similar information or activities. This additional level of detail assists readers with a clear understanding of the long-term impact of the government's near-term financing decisions. The governmental fund balance sheet and the governmental fund statement of revenues/expenditures and any changes within fund balances provides a reconciliation to compare the governmental funds and governmental activities. A twelve-month appropriated budget is adopted for the General Fund and certain non-major governmental (special revenue) funds. Budgetary comparison statements are provided to show compliance with budgets for the General Fund.

Proprietary Funds - Proprietary funds are also known as enterprise funds. These funds are used to report the same functions presented as business-type activities in the government-wide financial statements such as for water and sewer operations. Proprietary fund financial statements provide the same type of information as the business-type activities reported in the government-wide financial statements but in more detail directly related to the water and sewer, which are major funds.

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds do not support the Town programs. The accounting used for fiduciary funds is much like that used for proprietary funds. These funds may flow through the General Ledger but only as In/Out transactions.

Notes to the Financial Statements - The notes provide additional information which are essential to having a complete 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 required to be disclosed by the *Governmental Accounting Standards Board (GASB)*.

FINANCIAL HIGHLIGHTS

The assets of the Town of Peterborough exceeded its liabilities at the close of the most recent fiscal year by \$35,363,400 (i.e., net position), an increase of \$1,668,582 in comparison to the prior year restated net position. Of the net position amount, \$5,049,205 (unrestricted net position) may be used to meet the Town's ongoing obligations to citizens and creditors. See Government-wide Financial Analysis for explanation.

At the close of the current fiscal year, the Town of Peterborough's governmental funds reported combined ending fund balances of \$11,819,741 an increase of \$555,250 in comparison with the prior year restated fund balances. Approximately \$9,341,167 is the reserve of fund balance; \$3,658,474 is the non-spendable fund balance; \$1,809,242 is the restricted fund balance; \$3,190,370 is the committed fund balance; and \$607,877 is the assigned fund balance. The remaining \$2,553,778 net unassigned fund balance is the General Fund unassigned fund balance less the deficit in the Townhouse Rehabilitation Project, which is an increase of \$555,250 in comparison to the prior year.

*A complete breakdown of fund equity by fund and activity is detailed in the notes to the financial statements.

At the close of the current fiscal year, the Town's total long-term debt in governmental activities was \$8,852,975, which was a net decrease of \$217,386 in comparison to the prior year. The key factor for the decrease is the net of the payments made on the Town's existing loans.

Due to the requirements of GASB 68, the Town is required to record the Town's proportionate share of the net New Hampshire Retirement System (NHRS) pension liability. The reported net pension liability for the Town is \$6,081,927. A detailed explanation is in the notes to the financial statements (IV.B).

The notable revenue receipts exceeding the budget were licenses, permits and fees in the amount of \$164,582 and miscellaneous revenues in the amount of \$264,664. These two revenues offset the expenditures in highway and streets. The intergovernmental revenue receipts did not meet the budget by \$(-50,903), and charges for services also had a shortfall of \$(-158,062).

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets: Total investment in capital assets for governmental and business-type activities at year-end amounted to \$39,267,436 (net of accumulated depreciation), an increase of \$674,499 from the prior year. The increase includes net of the depreciation and retirement of the capital assets and the addition of the Union Street Improvements Project. The Town of Peterborough's investment in capital assets for the current year was \$21,438,043 for governmental activities and \$17,829,393 for business activities. This investment in capital assets includes buildings, improvements, machinery, equipment, vehicles and infrastructures. Major capital asset events during the current fiscal year included the following:

Governmental Activities:

Significant Capital Asset Additions:

<u>Cost</u>	<u>Description</u>	<u>Department</u>
\$256,785	Scott Air Paks	Fire
\$211,329	Ambulance A1	Ambulance
\$211,744	Ambulance A3	Ambulance
\$122,190	2018 Freightliner Truck	Hwy
\$115,219	Sidewalk Tractor	Hwy
\$189,035	Riverwalk Parking Lot	CIP
\$72,698	2018 Chevy Suburban	Fire
\$47,125	Townhouse Rehab Project	CIP
\$83,279	Main Street Bridge Construction	CIP

Business-type Activities:

Significant Capital Asset Additions:

<u>Cost</u>	<u>Description</u>	<u>Department</u>
\$103,525	2017 Ford F-450 w/Crane	Water & Sewer
\$31,884	Summer Street Well	CIP

Long-term debt:

At the end of the current fiscal year, total long-term debt outstanding on bonds and notes payable was **\$13,326,114**, all of which was backed by the full faith and credit of the Town of Peterborough. Of the total outstanding long-term debt, the amount of **\$5,086,837** was for the governmental activities and the amount of **\$8,239,277** was for business activities. The total long-term debt outstanding for the pensions is **\$6,683,437**.

Additional information on capital assets (Note III.A.3.), long-term debt (Note III.B.) and retirement pensions (Note IV.B.) can be found in the notes to the financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town of Peterborough's finances for all those with an interest. The enclosed Audit should be utilized as your primary resource for the current financial condition of the town up through June 30, 2018.

If you have additional questions concerning any of the information provided in this report or if you have requests for financial information, please submit those in writing to the below listed address and we will do our best to accommodate all reasonable requests.

Leo P. Smith, Jr., Director of Finance
Town of Peterborough
1 Grove Street
Peterborough, New Hampshire 03458

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 11,700,296	\$ 2,456,186	\$ 14,156,482
Investments	6,233,257	150,340	6,383,597
Intergovernmental receivable	431,868	3,412,895	3,844,763
Other receivables, net of allowance for uncollectibles	4,117,755	712,115	4,829,870
Inventory	7,697	-	7,697
Prepaid items	103,894	-	103,894
Tax deeded property held for resale	284,801	-	284,801
Capital assets, not being depreciated:			
Land	2,910,443	173,385	3,083,828
Construction in progress	971,804	417,740	1,389,544
Capital assets, net of accumulated depreciation:			
Land improvements	731,917	19,575	751,492
Buildings and building improvements	2,721,597	8,913,126	11,634,723
Machinery, vehicles and equipment	3,395,491	386,837	3,782,328
Infrastructure	11,173,899	7,387,486	18,561,385
Total assets	<u>44,784,719</u>	<u>24,029,685</u>	<u>68,814,404</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	<u>1,398,032</u>	<u>133,631</u>	<u>1,531,663</u>
LIABILITIES			
Accounts payable	282,328	10,650	292,978
Accrued payroll and benefits	108,146	8,194	116,340
Accrued interest payable	33,580	66,580	100,160
Intergovernmental payable	8,464	-	8,464
Performance and escrow deposits	14,960	-	14,960
Noncurrent obligations:			
Due within one year:			
Bonds and notes payable	354,603	348,382	702,985
Unamortized bond premium	16,006	1,617	17,623
Capital leases payable	238,083	-	238,083
Accrued landfill postclosure care costs	65,250	-	65,250
Due in more than one year:			
Bonds and notes payable	4,732,234	7,890,895	12,623,129
Unamortized bond premium	254,266	-	254,266
Capital leases payable	492,783	-	492,783
Compensated absences payable	530,584	43,262	573,846
Other postemployment benefits (OPEB) liability	276,916	27,495	304,411
Accrued landfill postclosure care costs	1,892,250	-	1,892,250
Net pension liability	6,081,927	601,510	6,683,437
Total liabilities	<u>15,382,380</u>	<u>8,998,585</u>	<u>24,380,965</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	10,222,696	84,814	10,307,510
Deferred amounts related to pensions	262,011	25,914	287,925
Deferred amounts related to OPEB	5,701	566	6,267
Total deferred inflows of resources	<u>10,490,408</u>	<u>111,294</u>	<u>10,601,702</u>
NET POSITION			
Net investment in capital assets	16,477,447	8,919,411	25,396,858
Restricted for:			
Endowments:			
Nonexpendable	3,107,545	-	3,107,545
Expendable	461,065	-	461,065
Other purposes	1,348,727	-	1,348,727
Unrestricted	(1,084,821)	6,134,026	5,049,205
Total net position	<u>\$ 20,309,963</u>	<u>\$ 15,053,437</u>	<u>\$ 35,363,400</u>

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

EXHIBIT 2
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended June 30, 2018

	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:						
General government	\$ 1,941,714	\$ 224,295	\$ -	\$ (1,701,603)	\$ -	\$ (1,701,603)
Public safety	4,296,129	478,937	-	(2,590,053)	-	(2,590,053)
Highways and streets	2,033,211	370,612	-	(1,645,829)	-	(1,645,829)
Sanitation	578,230	16,133	-	(382,788)	-	(382,788)
Welfare	111,522	-	-	(111,522)	-	(111,522)
Culture and recreation	2,084,892	-	-	(1,775,092)	-	(1,775,092)
Conservation	11,061	-	-	(8,927)	-	(8,927)
Economic development	353,167	-	-	(353,167)	-	(353,167)
Interest on long-term debt	205,340	-	-	(205,340)	-	(205,340)
Capital outlay	26,827	-	236,678	209,851	-	209,851
Total governmental activities	<u>11,642,093</u>	<u>1,089,977</u>	<u>236,678</u>	<u>(8,564,470)</u>	<u>-</u>	<u>(8,564,470)</u>
Business-type activities:						
Water department	918,226	-	-	-	231,916	231,916
Sewer department	1,576,060	-	-	-	(361,319)	(361,319)
Total business-type activities	<u>2,494,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(129,403)</u>	<u>(129,403)</u>
Total primary government	<u>\$ 14,136,379</u>	<u>\$ 1,089,977</u>	<u>\$ 236,678</u>	<u>(8,564,470)</u>	<u>(129,403)</u>	<u>(8,693,873)</u>
General revenues:						
Property taxes				7,347,775	-	7,347,775
Other taxes				220,989	-	220,989
Licenses and permits				1,269,188	-	1,269,188
Grants and contributions not restricted to specific programs				336,398	64,611	401,009
Miscellaneous				484,940	638,554	1,123,494
Total general revenues				<u>9,659,290</u>	<u>703,165</u>	<u>10,362,455</u>
Change in net position				1,094,820	573,762	1,668,582
Net position, beginning, as restated, see Note III.D.1.				19,215,143	14,479,675	33,694,818
Net position, ending				<u>\$ 20,309,963</u>	<u>\$ 15,053,437</u>	<u>\$ 35,363,400</u>

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

EXHIBIT 3
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
June 30, 2018

	General	Ambulance	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 8,144,431	\$ 285,801	\$ 517,500	\$ 2,752,564	\$ 11,700,296
Investments	3,039,748	-	3,051,110	142,399	6,233,257
Receivables, net of allowance for uncollectibles:					
Taxes	3,797,479	-	-	-	3,797,479
Accounts	107,915	137,113	-	4,788	249,816
Intergovernmental	339,735	92,133	-	-	431,868
Liens	70,460	-	-	-	70,460
Interfund receivable	73,658	-	-	72,000	145,658
Inventory	-	-	-	7,697	7,697
Prepaid items	258,431	25,463	-	-	283,894
Tax deeded property held for resale	284,801	-	-	-	284,801
Total assets	<u>\$ 16,116,658</u>	<u>\$ 540,510</u>	<u>\$ 3,568,610</u>	<u>\$ 2,979,448</u>	<u>\$ 23,205,226</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 240,297	\$ 4,996	\$ -	\$ 37,036	\$ 282,329
Accrued salaries and benefits	59,430	24,201	-	24,515	108,146
Intergovernmental payable	8,464	-	-	-	8,464
Interfund payable	72,000	-	-	73,658	145,658
Escrow and performance deposits	14,460	-	-	500	14,960
Total liabilities	<u>394,651</u>	<u>29,197</u>	<u>-</u>	<u>135,709</u>	<u>559,557</u>
Deferred inflows of resources:					
Deferred revenue	<u>10,552,910</u>	<u>36,710</u>	<u>-</u>	<u>236,308</u>	<u>10,825,928</u>
Fund balances:					
Nonspendable	543,232	-	3,107,545	7,697	3,658,474
Restricted	163,965	-	461,065	1,184,212	1,809,242
Committed	1,253,120	474,603	-	1,462,647	3,190,370
Assigned	607,877	-	-	-	607,877
Unassigned	2,600,903	-	-	(47,125)	2,553,778
Total fund balances	<u>5,169,097</u>	<u>474,603</u>	<u>3,568,610</u>	<u>2,607,431</u>	<u>11,819,741</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 16,116,658</u>	<u>\$ 540,510</u>	<u>\$ 3,568,610</u>	<u>\$ 2,979,448</u>	<u>\$ 23,205,226</u>

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

EXHIBIT 4
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position
June 30, 2018

Total fund balances of governmental funds (Exhibit 3)		\$ 11,819,741
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.		
Cost	\$ 40,728,796	
Less accumulated depreciation	<u>(18,823,645)</u>	21,905,151
Payments not due until the subsequent period are recorded as prepaid in the governmental funds.		
Prepaid principal and interest on debt		(180,000)
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (145,658)	
Payables	<u>145,658</u>	-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Deferred tax revenue	\$ 423,394	
Deferred ambulance revenue	36,710	
Deferred liens	70,460	
Deferred miscellaneous revenue	<u>72,669</u>	603,233
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(33,580)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes outstanding	\$ 5,086,837	
Unamortized bond premium	270,272	
Capital leases outstanding	730,866	
Compensated absences payable	530,584	
Other postemployment benefits liability	276,916	
Accrued landfill postclosure care costs	1,957,500	
Net pension liability	<u>6,081,927</u>	(14,934,902)
Deferred outflows and inflows of resources are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$ 1,398,032	
Deferred inflows of resources related to pensions	(262,011)	
Deferred inflows of resources related to OPEB	<u>(5,701)</u>	1,130,320
Total net position of governmental activities (Exhibit 1)		<u>\$ 20,309,963</u>

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

EXHIBIT 5
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Fiscal Year Ended June 30, 2018

	General	Ambulance	Permanent	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 7,122,595	\$ -	\$ -	\$ 435,699	\$ 7,558,294
Licenses, permits and fees	1,240,317	-	-	28,871	1,269,188
Intergovernmental	1,106,605	310,564	-	-	1,417,169
Charges for services	247,120	1,160,419	-	356,826	1,764,365
Miscellaneous	368,476	30,135	221,034	78,325	697,970
Total revenues	<u>10,085,113</u>	<u>1,501,118</u>	<u>221,034</u>	<u>899,721</u>	<u>12,706,986</u>
Expenditures:					
Current:					
General government	1,788,292	-	5,484	47,022	1,840,798
Public safety	2,536,549	1,333,700	-	-	3,870,249
Highways and streets	1,564,949	-	-	-	1,564,949
Sanitation	399,030	-	-	67,945	466,975
Welfare	111,119	-	-	-	111,119
Culture and recreation	548,142	-	-	1,374,882	1,923,024
Conservation	1,692	-	-	6,618	8,310
Economic development	348,065	-	-	-	348,065
Debt service:					
Principal	529,688	-	-	-	529,688
Interest	238,920	-	-	-	238,920
Capital leases	165,306	-	-	-	165,306
Capital outlay	1,076,063	305,635	-	163,635	1,545,333
Total expenditures	<u>9,307,815</u>	<u>1,639,335</u>	<u>5,484</u>	<u>1,660,102</u>	<u>12,612,736</u>
Excess (deficiency) of revenues over (under) expenditures	<u>777,298</u>	<u>(138,217)</u>	<u>215,550</u>	<u>(760,381)</u>	<u>94,250</u>
Other financing sources (uses):					
Transfers in	381,697	-	3,250	652,944	1,037,891
Transfers out	(613,315)	-	(39,629)	(384,947)	(1,037,891)
Inception of capital leases	461,000	-	-	-	461,000
Total other financing sources and uses	<u>229,382</u>	<u>-</u>	<u>(36,379)</u>	<u>267,997</u>	<u>461,000</u>
Net change in fund balances	1,006,680	(138,217)	179,171	(492,384)	555,250
Fund balances, beginning	4,162,417	612,820	3,389,439	3,099,815	11,264,491
Fund balances, ending	<u>\$ 5,169,097</u>	<u>\$ 474,603</u>	<u>\$ 3,568,610</u>	<u>\$ 2,607,431</u>	<u>\$ 11,819,741</u>

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

EXHIBIT 6
TOWN OF PETERBOROUGH, 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 June 30, 2018

Net change in fund balances of governmental funds (Exhibit 5)	\$	555,250
Amounts reported for governmental activities in the statement of activities are different because:		
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	\$	1,598,705
Depreciation expense		<u>(1,131,597)</u>
		467,108
Payments not due until the subsequent period are recorded as prepaid in the governmental funds.		
Change in prepaid principal and interest on debt		(18,745)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$	(1,037,891)
Transfers out		<u>1,037,891</u>
		-
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.		
Change in deferred tax revenue	\$	(1,504)
Change in deferred ambulance revenue		(10,992)
Change in deferred miscellaneous revenue		<u>34,224</u>
		21,728
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the 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	\$	(461,000)
Repayment of bonds/notes principal		584,313
Amortization of bond premium		16,006
Repayment of capital lease principal		<u>154,203</u>
		293,522
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	\$	(7,202)
Decrease in compensated absences payable		22,220
Increase in other postemployment benefits liability and related deferral		(21,557)
Increase in accrued landfill postclosure care costs		<u>(82,500)</u>
		(89,039)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense.		
Town pension contributions	\$	568,874
Cost of benefits earned, net of employee contributions		<u>(703,878)</u>
		(135,004)
Change in net position of governmental activities (Exhibit 2)	<u>\$</u>	<u>1,094,820</u>

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

EXHIBIT 7
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
General Fund
Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 7,081,222	\$ 7,081,222	\$ 7,121,091	\$ 39,869
Licenses, permits and fees	1,075,735	1,075,735	1,240,317	164,582
Intergovernmental	781,715	1,157,508	1,106,605	(50,903)
Charges for services	405,182	405,182	247,120	(158,062)
Miscellaneous	48,875	48,875	313,539	264,664
Total revenues	<u>9,392,729</u>	<u>9,768,522</u>	<u>10,028,672</u>	<u>260,150</u>
EXPENDITURES				
Current:				
General government	1,934,797	1,934,797	1,775,358	159,439
Public safety	2,608,336	2,608,336	2,536,549	71,787
Highways and streets	1,665,760	1,829,725	1,801,066	28,659
Sanitation	418,431	418,431	405,280	13,151
Welfare	125,998	125,998	111,119	14,879
Culture and recreation	1,267,453	1,267,453	535,683	731,770
Conservation	3,050	3,050	1,692	1,358
Economic development	358,917	358,917	407,845	(48,928)
Debt service:				
Principal	1	1	529,688	(529,687)
Interest	-	-	238,920	(238,920)
Lease payments	-	-	165,306	(165,306)
Capital outlay	106,043	317,871	681,563	(363,692)
Total expenditures	<u>8,488,786</u>	<u>8,864,579</u>	<u>9,190,069</u>	<u>(325,490)</u>
Excess of revenues over expenditures	<u>903,943</u>	<u>903,943</u>	<u>838,603</u>	<u>(65,340)</u>
Other financing sources (uses):				
Transfers in	905,423	905,423	483,163	(422,260)
Transfers out	<u>(2,012,366)</u>	<u>(2,012,366)</u>	<u>(646,440)</u>	<u>1,365,926</u>
Total other financing sources and uses	<u>(1,106,943)</u>	<u>(1,106,943)</u>	<u>(163,277)</u>	<u>943,666</u>
Net change in fund balance	<u>\$ (203,000)</u>	<u>\$ (203,000)</u>	675,326	<u>\$ 878,326</u>
Decrease in nonspendable fund balance			5,866	
Unassigned fund balance, beginning			2,343,105	
Unassigned fund balance, ending			<u>\$ 3,024,297</u>	

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

EXHIBIT 8
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Ambulance Fund
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (GAAP Basis)
For the Fiscal Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Intergovernmental	\$ 310,564	\$ 310,564	\$ -
Charges for services	1,345,805	1,160,419	(185,386)
Miscellaneous	-	30,135	30,135
Total revenues	<u>1,656,369</u>	<u>1,501,118</u>	<u>(155,251)</u>
EXPENDITURES			
Current:			
Public safety	1,636,369	1,333,700	302,669
Capital outlay	<u>20,000</u>	<u>305,635</u>	<u>(285,635)</u>
Total expenditures	<u>1,656,369</u>	<u>1,639,335</u>	<u>17,034</u>
Net change in fund balance	<u>\$ -</u>	<u>(138,217)</u>	<u>\$ (138,217)</u>
Fund balance, beginning		<u>612,820</u>	
Fund balance, ending		<u>\$ 474,603</u>	

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

EXHIBIT 9
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-type Activities - Enterprise Funds		
	Water Department	Sewer Department	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 1,110,673	\$ 1,345,513	\$ 2,456,186
Investments	109,748	40,592	150,340
Accounts receivable	357,225	354,890	712,115
Intergovernmental receivable	-	3,412,895	3,412,895
Noncurrent assets:			
Land	158,779	14,606	173,385
Construction in progress	417,740	-	417,740
Capital assets, net of accumulated depreciation:			
Land improvements	-	19,575	19,575
Buildings and building improvements	-	8,913,126	8,913,126
Machinery, vehicles and equipment	190,725	196,112	386,837
Infrastructure	5,760,074	1,627,412	7,387,486
Total assets	<u>8,104,964</u>	<u>15,924,721</u>	<u>24,029,685</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred amounts related to pensions	<u>66,204</u>	<u>67,427</u>	<u>133,631</u>
LIABILITIES			
Current liabilities:			
Accounts payable	114	10,536	10,650
Accrued payroll and benefits	4,301	3,893	8,194
Accrued interest payable	5,247	61,333	66,580
Noncurrent obligations:			
Due within one year:			
Bonds and notes payable	143,428	204,954	348,382
Unamortized bond premium	1,617	-	1,617
Due in more than one year:			
Bonds and notes payable	2,220,125	5,670,770	7,890,895
Compensated absences	22,909	20,353	43,262
OPEB payable	12,537	14,958	27,495
Net pension liability	300,755	300,755	601,510
Total liabilities	<u>2,711,033</u>	<u>6,287,552</u>	<u>8,998,585</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	84,814	-	84,814
Deferred amounts related to pensions	12,957	12,957	25,914
Deferred amounts related to OPEB	258	308	566
Total deferred inflows of resources	<u>98,029</u>	<u>13,265</u>	<u>111,294</u>
NET POSITION			
Net investment in capital assets	4,024,335	4,895,076	8,919,411
Unrestricted	1,337,771	4,796,255	6,134,026
Total net position	<u>\$ 5,362,106</u>	<u>\$ 9,691,331</u>	<u>\$ 15,053,437</u>

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

EXHIBIT 10
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Net Position
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Business-type Activities - Enterprise Funds		
	Water Department	Sewer Department	Total
Operating revenues:			
Charges for services	\$ 1,131,145	\$ 1,128,378	\$ 2,259,523
Miscellaneous	18,997	86,363	105,360
Total operating revenues	<u>1,150,142</u>	<u>1,214,741</u>	<u>2,364,883</u>
Operating expenses:			
Plant operation and maintenance	625,525	897,828	1,523,353
Depreciation expense	187,449	492,339	679,788
Total operating expenses	<u>812,974</u>	<u>1,390,167</u>	<u>2,203,141</u>
Operating income (loss)	<u>337,168</u>	<u>(175,426)</u>	<u>161,742</u>
Nonoperating revenue (expense):			
Intergovernmental revenue	-	64,611	64,611
Restitution	-	619,129	619,129
Net loss on sale of assets	(5,729)	(5,729)	(11,458)
Interest revenue	13,415	6,010	19,425
Interest expense	(99,523)	(180,164)	(279,687)
Total nonoperating income (expense)	<u>(91,837)</u>	<u>503,857</u>	<u>412,020</u>
Net change in net position	245,331	328,431	573,762
Net position, beginning	5,116,775	9,362,900	14,479,675
Net position, ending	<u>\$ 5,362,106</u>	<u>\$ 9,691,331</u>	<u>\$ 15,053,437</u>

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

EXHIBIT 11
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2018

	Business -type Activities - Enterprise Funds		
	Water	Sewer	Total
	Department	Department	
Cash flows from operating activities:			
Receipts from customers and users	\$ 1,092,660	\$ 1,145,167	\$ 2,237,827
Payments to suppliers and employees	(628,661)	(901,828)	(1,530,489)
Net cash provided by operating activities	<u>463,999</u>	<u>243,339</u>	<u>707,338</u>
Cash flows from capital and related financing activities:			
Purchase of capital assets	(108,240)	(51,762)	(160,002)
Settlement proceeds	-	619,129	619,129
Proceeds from state grants	-	217,068	217,068
Principal paid on bonds and notes	(220,310)	(198,985)	(419,295)
Interest paid on bonds and notes	(125,158)	(182,241)	(307,399)
Net cash provided (used) in capital and related financing activities	<u>(453,708)</u>	<u>403,209</u>	<u>(50,499)</u>
Cash flows from investing activities:			
Interest and dividends received	13,415	6,010	19,425
Sale of investments	39,206	14,501	53,707
Net cash provided from investing activities	<u>52,621</u>	<u>20,511</u>	<u>73,132</u>
Increase in cash	62,912	667,059	729,971
Cash and cash equivalents, beginning	1,047,761	678,454	1,726,215
Cash and cash equivalents, ending	<u>\$ 1,110,673</u>	<u>\$ 1,345,513</u>	<u>\$ 2,456,186</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 337,168	\$ (175,426)	\$ 161,742
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	187,449	492,339	679,788
Increase in accounts receivable	(57,482)	(69,574)	(127,056)
Decrease in prepaid items	31,817	42,208	74,025
Decrease in accounts payable	(30,586)	(45,495)	(76,081)
Decrease in accrued liabilities	(4,367)	(713)	(5,080)
Total adjustments	<u>126,831</u>	<u>418,765</u>	<u>545,596</u>
Net cash provided by operating activities	<u>\$ 463,999</u>	<u>\$ 243,339</u>	<u>\$ 707,338</u>

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

EXHIBIT 12
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ 80,923	\$ 2,719,376
Investments	1,047,642	-
Total assets	<u>1,128,565</u>	<u>2,719,376</u>
Liabilities:		
Accounts payable	-	29,992
Due to other governmental units	-	2,461,621
Due to developers	-	227,763
Total liabilities	<u>-</u>	<u>2,719,376</u>
Net position:		
Held in trust for specific purposes	<u>\$ 1,128,565</u>	<u>\$ -</u>

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

EXHIBIT 13
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Fiscal Year Ended June 30, 2018

	<u>Private Purpose Trust</u>
Additions:	
Investment earnings:	
Interest and dividends	\$ 25,153
Capital gains	26,472
Net change in fair value of investments	<u>19,191</u>
Total additions	70,816
 Deductions:	
Trust distributions	<u>1,200</u>
 Change in net position	69,616
Net position, beginning	<u>1,058,949</u>
Net position, ending	<u><u>\$ 1,128,565</u></u>

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

NOTES TO THE FINANCIAL STATEMENTS

**TOWN OF PETERBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Peterborough (the Town) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Town's financial activities for the fiscal year ended June 30, 2018.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. Entity Defined

The Town of Peterborough is a municipal corporation governed by a board of selectmen consisting of three members elected by the voters. These financial statements present the financial position and activity of the primary government. Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based on the stated criteria, the Town's financial statements do not include any component units.

I.B.2. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole, excluding fiduciary activities. Individual funds are not displayed. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Individual funds are not displayed.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges for the Town's services; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions which finance the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and revenue from other sources not properly included with program revenues are reported as general revenues.

TOWN OF PETERBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

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

Fund Financial Statements

Fund financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual, governmental funds and major, individual enterprise funds are reported in separate columns in the basic fund financial statements with composite columns for nonmajor funds.

I.B.3. *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements. As well, the proprietary funds apply all Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued in or before 1989, unless those pronouncements conflict with or contradict the GASB.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Proprietary and fiduciary fund financial statements also report using this same basis of accounting, although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met. The agency funds are custodial in nature and do not measure results of operations.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year. However, for purposes of setting the tax rate, unavailable property taxes are not deferred in accordance with the direction of the New Hampshire Department of Revenue Administration.

**TOWN OF PETERBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

Expenditures are recorded when the related fund liability is incurred, except for general obligation debt principal and interest, which are reported as expenditures in the year due.

Major revenues susceptible to accrual are property taxes, intergovernmental amounts, charges for services, and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

I.B.4. Fund Types and Major Funds

Governmental Funds

The Town reports the following major governmental funds:

General Fund – Reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

Ambulance Fund – This special revenue fund is used to account for financial transactions of the Town's emergency medical services.

Permanent Fund – The permanent fund is used to account for financial assets held by the trustees of trust funds, from which only the income, and not principal, is used for supporting Town purposes.

The Town also reports thirteen nonmajor governmental funds.

Proprietary Funds

The Town reports the following major enterprise funds:

Water Department – Accounts for all revenues and expenses related to the Town's water treatment and distribution operations.

Sewer Department – Accounts for all revenues and expenses related to the Town's sewage disposal operations.

Fiduciary Funds

The Town reports the following fiduciary funds:

Private Purpose Trust Funds – Account for financial resources of the Town used only for the benefit of other entities or individuals.

TOWN OF PETERBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018

Agency Funds – Account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. The Town’s agency funds are used to account for performance bonds held in escrow, and amounts held by the trustees of trust funds that belong to the Contoocook Valley Regional School District.

I.B.5. *Change in Accounting Principle*

The Town adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions* for the year ended June 30, 2018. This statement replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. This results in a change in the measurement and presentation of the Town’s total OPEB liability reported in the Statement of Net Position. The prior year’s net position was restated as shown in Note III.D.1. to account for this change.

I.C. *Assets, Liabilities, and Net Position or Fund Equity*

I.C.1. *Cash and Investments*

The laws of the State of New Hampshire require that the Town’s treasurer have custody of all monies belonging to the Town, other than those held by the trustees of trust funds and library trustees, and pay out the same only upon orders of the Board of Selectmen. The treasurer shall deposit all monies in participation units in the public deposit investment pool established pursuant to N.H. RSA 383.22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge or 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 of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

Investments are stated at fair value based on quoted market prices.

New Hampshire law authorizes the Town to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime bankers’ acceptances; or 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 monies 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.

**TOWN OF PETERBOROUGH, NEW HAMPSHIRE
NOTES TO THE FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
JUNE 30, 2018**

I.C.2. Inventory and Prepaid Items

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

Certain payments reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, with the exception of prepaid debt, which reduces the long-term liability in government-wide and proprietary fund financial statements.

I.C.3. Capital Assets and Depreciation

Generally, the Town’s property, plant and equipment with useful lives of more than one year are stated at historical cost and reported in the government-wide and proprietary fund financial statements. Donated assets are stated at acquisition value on the date donated. The Town generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follow:

	Years
Land improvements	20
Buildings and building improvements	20-100
Machinery, vehicles and equipment	5-15
Infrastructure	10-75

I.C.4. Long-Term Debt

In the government-wide and proprietary fund financial statements, outstanding debt is reported as liabilities. The balance of long-term debt is not reported in the governmental funds.

I.C.5. Compensated Absences

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums based on the number of years in employment. Employees who are eligible for vacation benefits and whose employment is terminated for any reason are paid an amount equal to all accumulated vacation pay earned but not taken.

Full-time, permanent employees are granted sick leave at a rate of one and one-half days for every two full months of continuous service. Employees who have been employed by the Town for more than ten years are paid upon termination of their employment for their unused sick leave on a sliding scale

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up to as much as 80% of accumulated sick leave for employees with over 40 years of service. The maximum reimbursement for accumulated sick leave shall not exceed 960 hours.

For employees hired prior to December 31, 1997, the hours accumulated under the previous compensated absences system (PDOs or Banked Paid Days Off) carryover and can be used for extended illness, injury or vacation leave with written approval of the Department head. At termination of employment, employees are reimbursed for any unused PDOs limited to a total of 960 hours of combined accumulated PDOs and sick leave, with the payment made first from the PDO bank and then from the accumulated sick leave.

Compensated absences are reported as accrued in the government-wide and proprietary fund financial statements. Governmental funds report only matured compensated absences payable to currently terminated employees which are included in wages and benefits expenditures.

I.C.6. *Equity*

The government-wide statement of net position reports net position in the following components:

- Net investment in capital assets, which is computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.
- Restricted for endowments, which consists of the balance of the permanent funds where the principal must be permanently invested and the income is to be used for Town purposes.
- Restricted for other purposes, which consists of the balance of the capital projects and special revenue funds whose revenues are restricted by enabling legislation and state laws.
- Unrestricted, which consists of the remaining balance of net position.

The governmental funds report the following components of fund balance:

- Nonspendable, which consists of inventory, prepaid items, and endowments.
- Restricted, which represents the balance of the additional highway block grant, the expendable income from permanent funds and the library fund, whose use is limited by law; and balances for which the intended use has been established by enabling legislation through Town Meeting vote.
- Committed, which consists of balances for which the intended use has been established by Town Meeting, or by the Board of Selectmen, and would require an equally formal action to remove those commitments.

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- Assigned, which consists of balances for which the intended use is established by the Board of Selectmen in the form of encumbrances.
- Unassigned, which represents the remaining fund balance in the General Fund in excess of the nonspendable, restricted, committed and assigned balances, and the deficit balance of the Townhouse Rehabilitation capital project fund.

I.D. Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

II. Stewardship, Compliance and Accountability

II.A. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General, Water, Sewer and Ambulance Funds, as well as the nonmajor Cemetery, Recreation, Pay As You Throw, and PEG Funds. Project length budgets are adopted for the Capital Projects Funds. Unless encumbered, all appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In fiscal year 2018, the Town used \$203,000 of the unassigned fund balance from 2017 for this purpose.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restrictions or assignments of fund balances and do not constitute expenditures or liabilities because the amounts will be added to the appropriations voted in the subsequent year.

Revenues are budgeted by source. Expenditures are budgeted by functions as follow: general government, public safety, highways and streets, sanitation, water distribution and treatment, welfare, culture and recreation, conservation, debt service and capital outlay. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot legally exceed the total appropriations unless permission is received from the Commissioner of Revenue Administration.

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II.B. Reconciliation of General Fund Budgetary Basis to GAAP

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 10,511,835
Adjustments:	
Basis difference:	
Capital lease inception	461,000
Tax revenue deferred in the prior year	424,897
Tax revenue deferred in the current year	(423,394)
Perspective difference:	
Revenue from Capital Reserve Fund	25,169
Revenue from Town Expendable Trust Fund	5,162
Revenue from Isabelle Miller Fund	22,945
Revenue from Landfill Expendable Trust Fund	1,662
Transfers from Expendable Trust Funds	(101,466)
Per Exhibit 5 (GAAP basis)	<u>\$ 10,927,810</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 9,836,509
Adjustments:	
Basis difference:	
Encumbrances, beginning	270,438
Encumbrances, ending	(671,842)
Capital lease inception	461,000
Perspective difference:	
Expenditures of Capital Reserve Fund	58,150
Transfer to Nonmajor Fund from Expendable Trust Fund	375
Transfers to Expendable Trust Funds	(33,500)
Per Exhibit 5 (GAAP basis)	<u>\$ 9,921,130</u>
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 3,024,297
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(423,394)
Per Exhibit 3 (GAAP basis)	<u>\$ 2,600,903</u>

II.C. Deficit Fund Balance

The Townhouse Rehabilitation Capital Project Fund reports a deficit fund balance at year-end of \$47,125. This is the result of expenditures incurred for the beginning stages of the project that will be funded by a future issuance of bonds or notes as approved by Warrant Article 12 of the 2017 Town Meeting.

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III. Detailed Notes on Funds and Government-Wide Statements

III.A. Assets

III.A.1. Investments

As of June 30, 2018, the Town's reporting entity had the following investments:

Municipal obligations	\$ 287,565
US Treasury obligations	867,384
Fixed income funds	35,458
Common stock	2,790,688
Corporate bonds	785,220
New Hampshire Public Deposit Investment Pool	2,664,924
	<u>\$ 7,431,239</u>

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 6,233,257
Proprietary funds - statement of net position (Exhibit 9)	150,340
Fiduciary funds - statement of fiduciary net position (Exhibit 12)	1,047,642
Total	<u>\$ 7,431,239</u>

Investment Risks

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. New Hampshire law limits investments to those described in Note I.C.1. The Town does not have an investment policy that places any further restrictions on its investment choices. The Town's credit rating quality of investments as of June 30, 2018 is as follows:

	Fair Value
Aaa	\$ 940,335
Aa	130,059
A	446,697
Baa	292,897
N/A	130,181
Exempt from disclosure	5,491,070
	<u>\$ 7,431,239</u>

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town does not have an investment policy that addresses limiting interest rate risk. The

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

	Fair Value	Investment maturities (in years)				
		Less than 1	1 to 5	5 to 10	10 to 15	15 to 20
US Treasury obligations	\$ 867,384	\$ 382,925	\$ 420,240	\$ 64,219	\$ -	\$ -
Municipal obligations	287,565	-	9,816	95,437	52,131	130,181
Corporate bonds	785,220	49,846	394,691	340,683	-	-
	<u>\$ 1,940,169</u>	<u>\$ 432,771</u>	<u>\$ 824,747</u>	<u>\$ 500,339</u>	<u>\$ 52,131</u>	<u>\$ 130,181</u>

Custodial Credit Risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities in the possession of an outside party. Of the Town's \$7,431,239 of investments, \$3,611,366 has exposure to custodial credit risk because the related securities are uninsured and uncollateralized.

III.A.2. Receivables, Uncollectible Accounts and Deferred Revenue

Property Taxes Receivable and Property Tax Calendar

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year's billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien is executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of lien taxes. Properties not redeemed within two years of the date of the tax lien are deeded to the Town. During the current year, the tax collector executed a lien for uncollected 2017 property taxes on May 15th.

The property taxes levied and collected by the Town include amounts for the State of New Hampshire, the Contoocook Valley Regional School District, and Hillsborough County. The Town is responsible for the collection of all these taxes. During the annual tax rate setting process, the Town sets an amount for potential abatements and tax deedings, known as overlay. Overlay is raised through taxation and is reported as a reduction in tax revenue.

The net assessed valuation as of April 1, 2017, upon which the 2017 property tax levy was based was:

For the New Hampshire education tax	\$ 615,417,278
For all other taxes	\$ 625,813,978

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The tax rates and amounts assessed for the year ended June 30, 2018 were as follow:

	<u>Per \$1,000 of Assessed Valuation</u>	
Municipal portion	\$11.29	\$ 7,069,025
School portion:		
State of New Hampshire	\$2.45	1,505,840
Local	\$16.38	10,249,362
County portion	\$1.34	838,409
Total property taxes assessed		<u>\$ 19,662,636</u>

The following details the taxes receivable at year-end:

Property:		
Levy of 2018		\$ 3,225,822
Unredeemed (under tax lien):		
Levy of 2017		275,776
Levy of 2016		160,200
Levy of 2015		113,739
Levy of 2014		9,180
Timber		9,261
Betterment assessments		3,501
Total taxes receivable		<u>\$ 3,797,479</u>

Other Receivables and Uncollectible Accounts

Other significant receivables include charges for ambulance services and water and sewer charges. These funds report accounts receivable net of any allowance for uncollectible amounts and revenues net of uncollectibles. The allowance amount consists of ambulance charges that are expected to be written off as bad debt based on the historical write-off rates. Related amounts are shown in the following table:

	Governmental Funds	Enterprise Funds
Accounts	\$ 591,958	\$ 712,115
Intergovernmental	431,868	3,412,895
Liens	70,460	-
Less: allowance for uncollectible amounts	(342,142)	-
Net total receivables	<u>\$ 752,144</u>	<u>\$ 4,125,010</u>

Deferred Revenue

Deferred revenue of \$10,825,928 in the governmental funds at June 30, 2018 represents \$36,710 of ambulance service charges and \$496,063 of property taxes receivable that were not collected within

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60 days of year-end, and therefore, are deferred in accordance with generally accepted accounting principles; \$10,091,538 of property taxes assessed for fiscal year 2019; \$70,460 of elderly/disabled and welfare liens not redeemed within 60 days; \$122,988 in unapplied tax receivable credits to be applied to future levies; \$7,488 received for the future sale of tax deeded property; and \$681 in miscellaneous items. In the governmental activities, only \$10,222,696, representing the 2019 tax assessment, unapplied tax credits, the future sale of tax deeded property, and miscellaneous items are reported as unearned revenue.

III.A.3. Capital Assets

Changes in Capital Assets

The following tables provide a summary of changes in capital assets:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, ending</u>
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 2,902,243	\$ 8,200	\$ -	\$ 2,910,443
Construction in progress	649,687	350,439	(28,322)	971,804
Total capital assets not being depreciated	<u>3,551,930</u>	<u>358,639</u>	<u>(28,322)</u>	<u>3,882,247</u>
Being depreciated:				
Land improvements	1,364,508	-	-	1,364,508
Buildings and building improvements	5,149,957	-	-	5,149,957
Machinery, vehicles and equipment	6,783,641	1,268,388	(551,034)	7,500,995
Infrastructure	22,831,089	-	-	22,831,089
Total capital assets being depreciated	<u>36,129,195</u>	<u>1,268,388</u>	<u>(551,034)</u>	<u>36,846,549</u>
Total all capital assets	<u>39,681,125</u>	<u>1,627,027</u>	<u>(579,356)</u>	<u>40,728,796</u>
Less accumulated depreciation:				
Land improvements	(570,500)	(62,091)	-	(632,591)
Buildings and building improvements	(2,293,583)	(134,777)	-	(2,428,360)
Machinery, vehicles and equipment	(4,122,878)	(533,660)	551,034	(4,105,504)
Infrastructure	(11,256,121)	(401,069)	-	(11,657,190)
Total accumulated depreciation	<u>(18,243,082)</u>	<u>(1,131,597)</u>	<u>551,034</u>	<u>(18,823,645)</u>
Net book value, capital assets being depreciated	<u>17,886,113</u>	<u>136,791</u>	<u>-</u>	<u>18,022,904</u>
Net book value, all capital assets	<u>\$ 21,438,043</u>	<u>\$ 495,430</u>	<u>\$ (28,322)</u>	<u>\$ 21,905,151</u>

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	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, ending</u>
Business-type activities:				
At cost:				
Not being depreciated:				
Land	\$ 173,385	\$ -	\$ -	\$ 173,385
Construction in progress	385,856	31,884	-	417,740
Total capital assets not being depreciated	<u>559,241</u>	<u>31,884</u>	<u>-</u>	<u>591,125</u>
Being depreciated:				
Land improvements	27,000	-	-	27,000
Buildings and building improvements	10,687,727	-	-	10,687,727
Machinery, vehicles and equipment	1,074,643	103,525	(106,126)	1,072,042
Infrastructure	15,489,589	24,593	-	15,514,182
Total capital assets being depreciated	<u>27,278,959</u>	<u>128,118</u>	<u>(106,126)</u>	<u>27,300,951</u>
Total all capital assets	<u>27,838,200</u>	<u>160,002</u>	<u>(106,126)</u>	<u>27,892,076</u>
Less accumulated depreciation:				
Land improvements	(6,075)	(1,350)	-	(7,425)
Buildings and building improvements	(1,451,946)	(322,655)	-	(1,774,601)
Machinery, vehicles and equipment	(712,090)	(67,783)	94,668	(685,205)
Infrastructure	(7,838,696)	(288,000)	-	(8,126,696)
Total accumulated depreciation	<u>(10,008,807)</u>	<u>(679,788)</u>	<u>94,668</u>	<u>(10,593,927)</u>
Net book value, capital assets being depreciated	<u>17,270,152</u>	<u>(551,670)</u>	<u>(11,458)</u>	<u>16,707,024</u>
Net book value, all capital assets	<u>\$ 17,829,393</u>	<u>\$ (519,786)</u>	<u>\$ (11,458)</u>	<u>\$ 17,298,149</u>

Depreciation Expense

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

Governmental activities:	
General government	\$ 86,568
Public safety	336,843
Highways and streets	523,518
Sanitation	24,945
Culture and recreation	156,972
Conservation	2,751
Total depreciation expense	<u>\$ 1,131,597</u>
Business-type activities:	
Sanitation	\$ 492,339
Water distribution and treatment	187,449
Total depreciation expense	<u>\$ 679,788</u>

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III.B. Liabilities

General obligation bonds and notes are approved by the voters and repaid with general revenues (property taxes). These notes are backed by the full faith and credit of the Town. Long-term liabilities currently outstanding are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 6/30/2018	Current Portion
Governmental activities:						
General obligation bonds/notes payable:						
West Peterborough TIF	\$ 2,500,000	2010	2024	4.48	\$ 1,034,484	\$ 172,414
Connector Road	\$ 1,000,000	2010	2023	4.57	410,964	84,801
Adams Pool renovation	\$ 1,200,000	2013	2027	2.44	653,820	80,000
Union Street infrastructure	\$ 2,435,000	2015	2036	5.10	1,935,000	-
Robbe Farm Rd. - Legacy Lane	\$ 190,578	2016	2026	3.50	112,569	17,388
GAR Hall parking lot	\$ 1,049,100	2017	2037	2.02-5.02	940,000	-
					<u>5,086,837</u>	<u>354,603</u>
Unamortized bond premium					<u>270,272</u>	<u>16,006</u>
Capital leases payable:						
Recreation copier	\$ 7,706	2016	2019	4.00	1,977	1,977
Fire pumper	\$ 567,613	2017	2020	2.59	283,714	140,043
Ambulance	\$ 160,000	2018	2023	3.19	160,000	30,022
Police cruiser	\$ 31,000	2018	2019	4.29	15,175	15,175
Breathing apparatus	\$ 270,000	2018	2023	2.99	270,000	50,866
					<u>730,866</u>	<u>238,083</u>
Compensated absences payable:						
Vested sick leave					158,992	-
Accrued vacation leave					371,592	-
					<u>530,584</u>	<u>-</u>
Other postemployment benefits payable						
Accrued landfill postclosure care costs					276,916	-
Net pension liability					1,957,500	65,250
					<u>6,081,927</u>	<u>-</u>
					<u>\$ 14,934,902</u>	<u>\$ 673,942</u>
Business-type activities:						
General obligation bonds payable:						
Treatment plant	\$ 6,986,000	2012	2039	4.48	\$ 5,875,724	\$ 204,954
Water-Hunt Well bond	\$ 1,500,000	1999	2019	4.57	75,000	75,000
Water refunding bond	\$ 1,557,200	2009	2037	2.0-5.0	1,255,000	-
NHSRF note	\$ 579,500	2012	2031	3.10	431,342	27,440
Water bond	\$ 700,000	2016	2031	2.75	602,211	40,988
					<u>8,239,277</u>	<u>348,382</u>
Unamortized bond premium					1,617	1,617
Compensated absences payable:						
Vested sick leave					21,852	-
Accrued vacation leave					21,410	-
					<u>43,262</u>	<u>-</u>
Other postemployment benefits payable						
Net pension liability					27,495	-
					<u>601,510</u>	<u>-</u>
					<u>\$ 8,913,161</u>	<u>\$ 349,999</u>

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Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended June 30, 2018:

	General Obligation Bonds and Notes Payable	Unamortized Bond Premium	Capital Leases Payable	Compensated Absences Payable	OPEB Liability	Accrued Landfill Postclosure Care Costs	Net Pension Liability	Total
Governmental activities:								
Balance, beginning	\$ 5,671,150	\$ 286,278	\$ 424,069	\$ 552,804	\$ 261,060	\$ 1,875,000	\$ 6,569,251	\$ 15,639,612
Additions	-	-	461,000	-	15,856	82,500	-	559,356
Reductions	(584,313)	(16,006)	(154,203)	(22,220)	-	-	(487,324)	(1,264,066)
Balance, ending	<u>\$ 5,086,837</u>	<u>\$ 270,272</u>	<u>\$ 730,866</u>	<u>\$ 530,584</u>	<u>\$ 276,916</u>	<u>\$ 1,957,500</u>	<u>\$ 6,081,927</u>	<u>\$ 14,934,902</u>

	General Obligation Bonds and Notes Payable	Unamortized Bond Premium	Compensated Absences Payable	OPEB Liability	Net Pension Liability	Total
Business-type activities:						
Balance, beginning	\$ 8,658,573	\$ 3,234	\$ 42,483	\$ 36,377	\$ 649,706	\$ 9,390,373
Additions	-	-	779	-	-	779
Reductions	(419,296)	(1,617)	-	(8,882)	(48,196)	(477,991)
Balance, ending	<u>\$ 8,239,277</u>	<u>\$ 1,617</u>	<u>\$ 43,262</u>	<u>\$ 27,495</u>	<u>\$ 601,510</u>	<u>\$ 8,913,161</u>

Debt Service Requirements to Maturity

The annual debt service requirements to maturity for the bonds and notes outstanding as of year-end are as follow:

Year Ending June 30,	Governmental Activities		
	Principal	Interest	Total
2019	\$ 354,603	\$ 160,247	\$ 514,850
2020	539,155	185,081	724,236
2021	543,987	161,438	705,425
2022	549,001	137,612	686,613
2023	494,585	113,865	608,450
2024-2028	1,315,506	343,621	1,659,127
2029-2033	850,000	161,868	1,011,868
2034-2037	440,000	21,920	461,920
Totals	<u>\$ 5,086,837</u>	<u>\$ 1,285,652</u>	<u>\$ 6,372,489</u>

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Year Ending June 30,	Business-type Activities		
	Principal	Interest	Total
2019	\$ 348,382	\$ 240,318	\$ 588,700
2020	335,477	254,047	589,524
2021	344,894	243,990	588,884
2022	355,522	233,122	588,644
2023	365,405	221,939	587,344
2024-2028	2,003,789	917,407	2,921,196
2029-2033	2,095,011	577,302	2,672,313
2034-2038	2,022,271	247,080	2,269,351
2039	368,526	11,056	379,582
Totals	<u>\$ 8,239,277</u>	<u>\$ 2,946,261</u>	<u>\$ 11,185,538</u>

The future minimum lease obligations for the capital leases of the governmental activities are as follow:

Year Ending June 30,	Principal	Interest	Total
2019	\$ 238,083	\$ 21,288	\$ 259,371
2020	227,037	14,419	241,456
2021	85,921	8,144	94,065
2022	88,554	5,511	94,065
2023	91,271	2,797	94,068
Totals	<u>\$ 730,866</u>	<u>\$ 52,159</u>	<u>\$ 783,025</u>

III.C. Balances and Transfers – Payments Within the Reporting Entity

III.C.1. *Receivables and Payables*

Generally, outstanding balances between funds reported as “interfund receivables/payables” include outstanding charges by one fund to another for goods or services, subsidy commitments outstanding at year-end, or other miscellaneous amounts. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is also reported as “interfund receivables/payables.”

The following schedule reports interfund receivables and payables within the reporting entity at year-end:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 73,658
Nonmajor	General	72,000
		<u>\$ 145,658</u>

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The amount due to the General Fund from the Nonmajor Funds represents reimbursements of costs related to capital projects. The amount due to the Nonmajor Funds from the General Fund represents budgeted appropriations.

III.C.2. Transfers

Transfers within the reporting entity are substantially for the purposes of distributing taxes to the fund for which the appropriation was made, and distributing trust income and certain voted amounts to the applicable fund. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

The following schedule reports transfers within the reporting entity:

	Transfers In:			Total
	General Fund	Permanent Fund	Nonmajor Funds	
Transfers out:				
General fund	\$ -	\$ -	\$ 613,315	\$ 613,315
Permanent fund	-	-	39,629	39,629
Nonmajor funds	381,697	3,250	-	384,947
	\$ 381,697	\$ 3,250	\$ 652,944	\$ 1,037,891

The amount transferred from the Nonmajor Funds to the General Fund represents \$287,828 from the West Peterborough TIF District for the annual debt payment and \$93,869 from the Downtown TIF District for sanitation expenditures. The amount transferred from the General Fund to the Nonmajor Funds represents \$593,769 to the Library Fund for voted appropriations, \$375 for the return of an excess transfer in the prior year, and \$19,171 to the Recreation Revolving Fund. The amount transferred from the Permanent Fund to the Nonmajor Funds of \$39,629 represents \$22,629 to the Library Fund, and \$17,000 to the Cemetery Maintenance Fund. The amount transferred from the Nonmajor Funds to the Permanent Fund represents cemetery lot sales.

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III.D. Fund Equity

III.D.1. Restatement of Beginning Equity

Equity at July 1, 2017 was restated to reflect the following adjustments:

	Governmental Activities	General Fund	Ambulance Fund	Business-type Activities	
				Water Fund	Sewer Fund
To remove accounts payable	\$ -	\$ -	\$ -	\$ 5,000	\$ -
To adjust OPEB liability for change in accounting standard	39,496	-	-	2,805	2,718
To record prepaid insurance	60,116	55,000	5,116	25,582	42,208
Net position, as previously reported	19,115,531	4,107,417	607,704	5,083,388	9,317,974
Net position, as restated	<u>\$ 19,215,143</u>	<u>\$ 4,162,417</u>	<u>\$ 612,820</u>	<u>\$ 5,116,775</u>	<u>\$ 9,362,900</u>

III.D.2. Components of Fund Equity

The components of fund balance, as described in note I.C.6., are classified for the following purposes:

	General Fund	Ambulance Fund	Permanent Fund	Nonmajor Funds
Nonspendable:				
Endowments	\$ -	\$ -	\$ 3,107,545	\$ -
Prepaid items	258,431	-	-	-
Tax deeded property	284,801	-	-	-
Total nonspendable	<u>543,232</u>	<u>-</u>	<u>3,107,545</u>	<u>-</u>
Restricted:				
General government	-	-	292,961	-
Highways and streets	163,965	-	-	-
Culture and recreation	-	-	168,104	523,391
Capital outlay	-	-	-	660,821
Total restricted	<u>163,965</u>	<u>-</u>	<u>461,065</u>	<u>1,184,212</u>
Committed:				
General government	58,537	-	-	77,763
Public safety	-	474,603	-	-
Sanitation	206,442	-	-	47,735
Culture and recreation	115,580	-	-	159,879
Conservation	-	-	-	117,439
Capital outlay	872,561	-	-	1,067,528
Total committed	<u>1,253,120</u>	<u>474,603</u>	<u>-</u>	<u>1,470,344</u>
Assigned:				
General government	179,495	-	-	-
Highways and streets	255,652	-	-	-
Sanitation	6,250	-	-	-
Culture and recreation	5,000	-	-	-
Economic development	66,480	-	-	-
Capital outlay	95,000	-	-	-
Total assigned	<u>607,877</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned	<u>2,600,903</u>	<u>-</u>	<u>-</u>	<u>(47,125)</u>
Total fund balance	<u>\$ 5,169,097</u>	<u>\$ 474,603</u>	<u>\$ 3,568,610</u>	<u>\$ 2,607,431</u>

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III.D.3. Restricted Net Position

The government-wide statement of net position includes restricted net position of \$3,568,610 for public trust funds reported as restricted to reflect purpose restrictions contained in trust indentures and \$1,348,727 restricted by bond covenants, grantors and contributors.

IV. Other Information

IV.A. Risk Management

The Town's risk management activities are reported with governmental activities and recorded in the general fund. During the fiscal year, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex) Property/Liability and Workers' Compensation Programs, which are considered public entity risk pools, currently operating as common risk management and insurance programs for member governmental entities.

The Primex Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSA 5-B and RSA 281-A. Workers' compensation and property/liability coverage was provided from July 1 through June 30. Primex provided property and employer's liability coverage in varying amounts and statutory coverage for workers' compensation.

Contributions paid in 2018 to be recorded as an insurance expenditure/expense totaled \$127,906. There were no unpaid contributions for the year ended June 30, 2018. The Town paid \$82,800 for workers' compensation for the fiscal year ended June 30, 2018. The agreement permits Primex to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, Primex foresees no likelihood of any additional assessments for past years.

IV.B. Retirement Pensions

General Information about the Pension Plan

The New Hampshire Retirement System (NHRS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The NHRS provides service, disability, death and vested retirement benefits for employees and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and contributions. The NHRS issues a separate financial report that is available at www.nhrs.org or by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

Both the members and the Town make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial

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valuation. The rates of contribution for police, fire personnel, and other employees for the fiscal year were 11.55%, 11.8%, and 7% of gross earnings, respectively. The rates of contribution for pension and the medical subsidy were 29.43% for police, 31.89% for fire personnel, and 11.38% for other employees. Employer contributions from the Town during the fiscal years 2016, 2017 and 2018 were \$528,446, \$546,852, and \$620,501 respectively. The amounts are paid on a monthly basis as due.

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

At June 30, 2018, the Town reported a liability of \$6,683,437 for its proportionate share of the net pension liability. The net pension liability is based upon the June 30, 2016 actuarial valuation, rolled forward to determine the net pension liability as of June 30, 2017. The roll-forward of the total pension liability from June 30, 2016 to June 30, 2017 reflects the expected service and interest costs reduced by actual benefit payments, refunds, and administrative expenses for the plan year. 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 municipalities and school districts, actuarially determined. As of June 30, 2018, the Town's proportion reported was 0.1359%, which was an increase of 0.0001% from its proportion reported as of June 30, 2017.

For the year ended June 30, 2018, the Town recognized pension expense of \$703,878 in the governmental activities and \$70,988 in the business-type activities. At June 30, 2018, 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
	<u> </u>	<u> </u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 224,903	\$ 117,747
Net differences between projected and actual earnings on pension plan investments	-	85,117
Changes in assumptions	671,105	-
Differences between expected and actual experience	15,154	85,061
Town contributions subsequent to the measurement date	620,501	-
	<u>\$ 1,531,663</u>	<u>\$ 287,925</u>

The Town reported \$620,501 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year ending June 30, 2019.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follow:

Year Ending June 30,	
2019	\$ 139,937
2020	311,168
2021	274,973
2022	<u>(102,841)</u>
	<u>\$ 623,237</u>

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the actuarial valuation as of June 30, 2016 rolled forward to June 30, 2017, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	5.6% average, including inflation
Investment rate of return	7.25% per year

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.

Mortality rates were based on the RP-2014 Mortality Table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for women for mortality improvements.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of net pension liability	\$ 8,805,092	\$ 6,683,437	\$ 4,944,824

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Other actuarial assumptions, as well as detailed information about the pension plan's fiduciary net position, is available in the separately issued NHRS report.

IV.C. Contingent Liabilities

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Town believes such disallowances, if any, will be immaterial.

IV.D. Other Postemployment Benefits

Plan Description

As required by N.H. RSA 100-A:50, *New Hampshire Retirement System: Medical Benefits*, the Town provides its eligible retirees including certain beneficiaries, the ability to purchase health, dental and prescription drug coverage at the Town's group rates. The Town does not supplement the cost of these plans directly, but recognizes the liability for the inclusion of implicit rate subsidies to the retirees. The subsidy occurs because when a blended rate is used for a group of individuals that includes younger and presumably healthier people along with older, retired people, implicitly, the active employees are subsidizing the retirees. As of July 1, 2018, there were twelve inactive employees receiving benefits, and forty-six active employees participating in the plan.

The following is a brief description of the retiree medical plan:

- a. Plan Types: Medical
Pre 65 retirees have their choice of Cigna Open Access or Cigna Open Access Plus.
Post 65 retirees must enroll in Cigna 65+.

- b. Eligibility: **Group 1:**
Non-Police and Fire:
Hired before 7/1/2011
Age 60 or older with no minimum service
Hired on or after 7/1/2011
Age 65 or older with no minimum service

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Group 2:

Police and Fire:

Hired before 7/1/2011

Age 60 or older with no minimum service; or
if vested* before 1/1/2012, age 45 with 20 years of service; or
if not vested* before 1/1/2012, then:

Years of Service on 1/1/2012	Minimum Eligible Age	Minimum Eligible Years of Service
At least 8 but less than 10 years	46	21
At least 6 but less than 8 years	47	22
At least 4 but less than 6 years	48	23
At least 4 years	49	24

*Group 2 employees are vested at age 60, or at 10 years of service

Hired on or after 7/1/2011

Age 52.5 years old with 25 years of service

- c. Benefit/Cost Sharing: The retiree is responsible for the full price of the medical premium.
- d. Spouse Benefit: Yes
- e. Surviving Spouse Benefit: Yes
- f. Annual Medical Premiums: July 2017-June 2018

	<u>Single</u>	<u>2-Person</u>	<u>Family</u>
CIGNA Green Open Access	\$ 10,908.00	\$ 21,816.00	\$ 29,454.00
CIGNA Red Open Access	\$ 10,092.00	\$ 20,184.00	\$ 27,246.00
Allegiant Care Union	\$ 8,916.00	\$ 19,080.00	\$ 24,372.00
CIGNA 65+ w/Rx	\$ 5,262.48	\$ 21,816.00	
CIGNA 65+ No Rx	\$ 2,496.00	\$ 20,184.00	

Total OPEB Liability

The Town's total OPEB liability of \$304,411 was determined by an actuarial valuation as of July 1, 2017 rolled forward to the measurement date using actuarial assumptions, applied to all periods included in the measurement.

**TOWN OF PETERBOROUGH, NEW HAMPSHIRE
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Methods and Assumptions

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

Participant Salary Increase:	3.50% annually
Payroll Growth Rate:	2.50% annually
Discount Rate:	3.87% - Based on the <u>Bond Buyer's 20 Bond Index</u>
Mortality:	RP-2014 fully generation mortality table with projection scale MP-2017

Healthcare Cost Trend Rates:	<u>Year</u>	
	1	9.00%
	2	8.00%
	3	7.00%
	4	6.00%
	5+	5.00%

Sensitivity of Total OPEB Liability

Assumptions and methods used to determine the total OPEB liability are sensitive to changes in the discount rate and healthcare trend rates. The following presents the total OPEB liability calculated using the current discount rate of 3.87%, as well as what the total OPEB liability would be if it were calculated using a discount rate 1-percentage point lower (2.87%) or 1-percentage point higher (4.87%):

	1% Decrease (2.87%)	Current Discount Rate (3.87%)	1% Decrease (4.87%)
Town's total OPEB liability	<u>\$ 330,189</u>	<u>\$ 304,411</u>	<u>\$ 280,945</u>

**TOWN OF PETERBOROUGH, NEW HAMPSHIRE
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The following presents the total OPEB liability calculated using the current healthcare trend rate of 8.0%, as well as what the total OPEB liability would be if it were calculated using a healthcare trend rate 1-percentage point lower (7.0%) or 1-percentage point higher (9.0%):

	1% Decrease (8.00% decreasing to 4.00%)	Current Healthcare Cost Trend Rate (9.00% decreasing to 5.00%)	1% Decrease (10.00% decreasing to 6.00%)
Town's total OPEB liability	\$ 270,829	\$ 304,411	\$ 344,018

OPEB Expense and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018 the Town recognized OPEB expense of \$29,617; and reported deferred inflows of resources related to OPEB of \$6,267, due to changes in actuarial experience and actuarial assumptions. The amount recognized as deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending June 30,	
2019	\$ (967)
2020	(967)
2021	(967)
2022	(967)
2023	(967)
Thereafter	(1,432)
	\$ (6,267)

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 14
TOWN OF PETERBOROUGH
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios

	Fiscal Year 2018	Fiscal Year 2017
Total OPEB liability:		
Service cost	\$ 19,527	\$ 64,147
Interest	11,057	12,372
Assumption changes and differences between expected and actual experience	(7,234)	(16,950)
Benefit payments	(16,376)	(26,408)
Net change in total OPEB liability	6,974	33,161
Total OPEB liability, beginning	297,437	264,276
Total OPEB liability, ending	<u>\$ 304,411</u>	<u>\$ 297,437</u>
Covered payroll	\$ 3,809,405	\$ 3,521,094
Total OPEB liability as a percentage of covered payroll	7.99%	8.45%

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

EXHIBIT 15
TOWN OF PETERBOROUGH
Schedule of the Town's OPEB Contributions

	Fiscal Year 2018	Fiscal Year 2017
Actuarially determined contribution	\$ 29,617	\$ 57,969
Contributions in relation to the actuarially determined contribution	(16,376)	(19,023)
Contribution deficiency	\$ 13,241	\$ 38,946
Covered-employee payroll	\$ 3,809,405	\$ 3,521,094
Contributions as a percentage of covered-employee payroll	0.78%	1.65%

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

EXHIBIT 16
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Pension Liability
New Hampshire Retirement System

For the Year Ended June 30,	Town's Proportion of Net Pension Liability	Town's Proportionate Share of the Net Pension Liability	Town's Covered- Employee Payroll	Town's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	Plan Fiduciary Net Postion as a Percentage of the Total Pension Liability
2014	0.1342%	\$ 5,775,826	\$ 3,105,679	185.98%	59.82%
2015	0.1315%	\$ 4,936,991	\$ 3,215,586	153.53%	66.32%
2016	0.1270%	\$ 5,031,870	\$ 3,432,128	146.61%	65.47%
2017	0.1358%	\$ 7,218,957	\$ 3,521,094	205.02%	58.30%
2018	0.1359%	\$ 6,683,437	\$ 3,809,405	175.45%	62.66%

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

EXHIBIT 17
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Schedule of the Town's Pension Contributions
New Hampshire Retirement System

For the Year Ended June 30,	Contractually Required Contribution	Contribution in Relation to the Contractually Required Contribution	Contribution Deficiency	Town's Covered Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2014	\$ 470,043	\$ (470,043)	\$ -	\$ 3,105,679	15.13%
2015	\$ 490,587	\$ (490,587)	\$ -	\$ 3,215,586	15.26%
2016	\$ 528,446	\$ (528,446)	\$ -	\$ 3,432,128	15.40%
2017	\$ 546,852	\$ (546,852)	\$ -	\$ 3,521,094	15.53%
2018	\$ 620,501	\$ (620,501)	\$ -	\$ 3,809,405	16.29%

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

TOWN OF PETERBOROUGH, NEW HAMPSHIRE
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE FISCAL YEAR ENDED
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The Schedule of the Town's Total OPEB Liability and Related Ratios, Schedule of the Town's OPEB Contributions, Schedule of the Town's Proportionate Share of the Net Pension Liability and the Schedule of the Town's Pension Contributions are meant to present related information for ten years. Because this is the first year for the OPEB information under the new measurement standard, and the fourth year that the Town has presented the pension information, only two years and five years, respectively, are presented. An additional year's information will be added each year until there are ten years shown.

COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES

EXHIBIT 18
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Special Revenue Funds									
	Library	Cemetery Maintenance	Conservation Commission	Downtown TIF	South Peterborough TIF	Pay As You Throw	Recreation Revolving	Peterborough TIF	West Peterborough TIF	PEG
ASSETS										
Cash and cash equivalents	\$ 464,052	\$ 55,533	\$ 117,439	\$ 325,685	\$ 20,484	\$ 35,430	\$ 134,148	\$ 963,915	\$ 44,957	
Investments	99,452	42,947	-	-	-	-	-	-	-	-
Accounts receivable	-	180	-	-	-	4,608	-	-	-	-
Interfund receivable	-	-	-	-	-	-	-	-	-	-
Inventory	-	-	-	-	-	7,697	-	-	-	-
Total assets	<u>\$ 563,504</u>	<u>\$ 98,660</u>	<u>\$ 117,439</u>	<u>\$ 325,685</u>	<u>\$ 20,484</u>	<u>\$ 47,735</u>	<u>\$ 134,148</u>	<u>\$ 963,915</u>	<u>\$ 44,957</u>	
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES										
Liabilities:										
Accounts payable	\$ 34,601	\$ 46	\$ -	\$ -	\$ -	\$ -	\$ 263	\$ -	\$ 26	
Accrued salaries and benefits	5,512	566	-	-	-	-	18,139	-	298	
Interfund payable	-	20,225	-	-	-	-	-	6,308	-	
Escrow and performance deposits	-	-	-	-	-	-	500	-	-	
Total liabilities	<u>40,113</u>	<u>20,837</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,902</u>	<u>6,308</u>	<u>324</u>	
Deferred inflows of resources:										
Deferred revenue	-	60	-	58,150	20,484	-	-	157,614	-	
Fund balances:										
Nonspendable	-	-	-	-	-	7,697	-	-	-	
Restricted	523,391	-	-	-	-	-	-	-	-	
Committed	-	77,763	117,439	267,535	-	40,038	115,246	799,993	44,633	
Unassigned	-	-	-	-	-	-	-	-	-	
Total fund balances	<u>523,391</u>	<u>77,763</u>	<u>117,439</u>	<u>267,535</u>	<u>-</u>	<u>47,735</u>	<u>115,246</u>	<u>799,993</u>	<u>44,633</u>	
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 563,504</u>	<u>\$ 98,660</u>	<u>\$ 117,439</u>	<u>\$ 325,685</u>	<u>\$ 20,484</u>	<u>\$ 47,735</u>	<u>\$ 134,148</u>	<u>\$ 963,915</u>	<u>\$ 44,957</u>	

EXHIBIT 18 (Continued)
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2018

	Capital Projects Fund					Total
	Community Center Renovations	Union Street Improvements	GAR Hall Parking Lot	Townhouse Rehabilitation		
ASSETS						
Cash and cash equivalents	\$ 550	\$ 7,006	\$ 583,365	\$ -	\$ -	\$ 2,752,564
Investments	-	-	-	-	-	142,399
Accounts receivable	-	-	-	-	-	4,788
Interfund receivable	-	-	72,000	-	-	72,000
Inventory	-	-	-	-	-	7,697
Total assets	<u>\$ 550</u>	<u>\$ 7,006</u>	<u>\$ 655,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,979,448</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ 2,100	\$ -	\$ -	\$ 37,036
Accrued salaries and benefits	-	-	-	-	-	24,515
Interfund payable	-	-	-	47,125	-	73,658
Escrow and performance deposits	-	-	-	-	-	500
Total liabilities	<u>-</u>	<u>-</u>	<u>2,100</u>	<u>47,125</u>	<u>-</u>	<u>135,709</u>
Deferred inflows of resources:						
Deferred revenue	-	-	-	-	-	236,308
Fund balances:						
Nonspendable	-	-	-	-	-	7,697
Restricted	550	7,006	653,265	-	-	1,184,212
Committed	-	-	-	-	-	1,462,647
Unassigned	-	-	-	-	(47,125)	(47,125)
Total fund balances	<u>550</u>	<u>7,006</u>	<u>653,265</u>	<u>(47,125)</u>	<u>(47,125)</u>	<u>2,607,431</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 550</u>	<u>\$ 7,006</u>	<u>\$ 655,365</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,979,448</u>

EXHIBIT 19
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2018

	Special Revenue Funds							
	Library	Cemetery Maintenance	Conservation Commission	Downtown TIF	Pay As You Throw	Recreation Revolving	West Peterborough TIF	PEG
REVENUES								
Taxes	\$ -	\$ -	\$ 1,750	\$ 116,353	\$ -	\$ -	\$ 317,596	\$ -
Licenses, permits and fees	-	-	-	-	-	-	-	28,871
Charges for services	142,738	-	2,134	-	79,877	131,993	-	-
Miscellaneous	22,262	21,360	100	218	189	33,111	837	(2)
Total revenues	<u>165,000</u>	<u>21,360</u>	<u>3,984</u>	<u>116,571</u>	<u>80,066</u>	<u>165,104</u>	<u>318,433</u>	<u>28,869</u>
EXPENDITURES								
Current:								
General government	-	47,022	-	-	-	-	-	-
Sanitation	-	-	-	-	67,945	-	-	-
Culture and recreation	1,183,682	-	-	-	-	165,780	-	25,420
Conservation	-	-	6,618	-	-	-	-	-
Capital outlay	-	4,500	-	-	-	-	-	-
Total expenditures	<u>1,183,682</u>	<u>51,522</u>	<u>6,618</u>	<u>-</u>	<u>67,945</u>	<u>165,780</u>	<u>-</u>	<u>25,420</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(1,018,682)</u>	<u>(30,162)</u>	<u>(2,634)</u>	<u>116,571</u>	<u>12,121</u>	<u>(676)</u>	<u>318,433</u>	<u>3,449</u>
Other financing sources (uses):								
Transfers in	616,398	17,000	-	-	-	19,171	375	-
Transfers out	-	(3,250)	-	(93,869)	-	-	(287,828)	-
Total other financing sources and uses	<u>616,398</u>	<u>13,750</u>	<u>-</u>	<u>(93,869)</u>	<u>-</u>	<u>19,171</u>	<u>(287,453)</u>	<u>-</u>
Net change in fund balances	<u>(402,284)</u>	<u>(16,412)</u>	<u>(2,634)</u>	<u>22,702</u>	<u>12,121</u>	<u>18,495</u>	<u>30,980</u>	<u>3,449</u>
Fund balances, beginning	<u>925,675</u>	<u>94,175</u>	<u>120,073</u>	<u>244,833</u>	<u>35,614</u>	<u>96,751</u>	<u>769,013</u>	<u>41,184</u>
Fund balances, ending	<u>\$ 523,391</u>	<u>\$ 77,763</u>	<u>\$ 117,439</u>	<u>\$ 267,535</u>	<u>\$ 47,735</u>	<u>\$ 115,246</u>	<u>\$ 799,993</u>	<u>\$ 44,633</u>

EXHIBIT 19 (Continued)
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Fiscal Year Ended June 30, 2018

	Capital Projects Fund					Total
	Community Center Renovations	Union Street Improvements	GAR Hall Parking Lot	Townhouse Rehabilitation	Total	
REVENUES						
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 435,699
Licenses, permits and fees	-	-	-	-	-	28,871
Charges for services	84	-	-	-	-	356,826
Miscellaneous	250	-	-	-	-	78,325
Total revenues	334	-	-	-	-	899,721
EXPENDITURES						
Current:						
General government	-	-	-	-	-	47,022
Sanitation	-	-	-	-	-	67,945
Culture and recreation	-	-	-	-	-	1,374,882
Conservation	-	-	-	-	-	6,618
Capital outlay	-	-	112,010	47,125	-	163,635
Total expenditures	-	-	112,010	47,125	-	1,660,102
Excess (deficiency) of revenues over (under) expenditures	334	-	(112,010)	(47,125)	-	(760,381)
Other financing sources (uses):						
Transfers in	-	-	-	-	-	652,944
Transfers out	-	-	-	-	-	(384,947)
Total other financing sources and uses	-	-	-	-	-	267,997
Net change in fund balances	334	-	(112,010)	(47,125)	-	(492,384)
Fund balances, beginning	216	7,006	765,275	-	-	3,099,815
Fund balances, ending	550	7,006	653,265	(47,125)	-	\$ 2,607,431

EXHIBIT 20
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2018

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 6,850,468	\$ 6,913,826	\$ 63,358
Land use change	5,000	(1,750)	(6,750)
Timber	25,000	33,758	8,758
Excavation	500	-	(500)
Payments in lieu of taxes	65,254	58,590	(6,664)
Interest and penalties on delinquent taxes	135,000	116,667	(18,333)
Total taxes	7,081,222	7,121,091	39,869
Licenses, permits and fees:			
Business licenses and permits	1,000	1,245	245
Motor vehicle permits	998,585	1,153,087	154,502
Building permits	48,125	85,765	37,640
Other	28,025	220	(27,805)
Total licenses, permits and fees	1,075,735	1,240,317	164,582
Intergovernmental:			
State sources:			
Meals and rooms distributions	336,398	336,398	-
Highway block grant	357,769	357,659	(110)
State and federal forest land	335	328	(7)
Flood control reimbursement	35,835	-	(35,835)
Miller Park	16,000	2,400	(13,600)
Bridge aid	122,532	122,532	-
Federal sources:			
Police grants	-	8,936	8,936
Bridge aid	89,296	89,296	-
Other governmental sources	199,343	189,056	(10,287)
Total intergovernmental	1,157,508	1,106,605	(50,903)
Charges for services:			
Income from departments	129,967	247,120	117,153
Other	275,215	-	(275,215)
Total charges for services	405,182	247,120	(158,062)
Miscellaneous:			
Special assessments	22,375	24,731	2,356
Sale of property	5,000	15,972	10,972
Interest on investments	16,500	56,263	39,763
Rent of property	-	15,974	15,974
Fines and forfeits	-	1,000	1,000
Insurance dividends and reimbursements	-	23,595	23,595
Contributions and donations	-	37,695	37,695
Other	5,000	138,309	133,309
Total miscellaneous	48,875	313,539	264,664
Other financing sources:			
Transfers in:			
Expendable trust fund	257,993	-	(257,993)
Nonmajor funds	647,430	483,163	(164,267)
Total other financing sources	905,423	483,163	(422,260)
Total revenues and other financing sources	10,673,945	\$ 10,511,835	\$ (162,110)
Use of fund balance to reduce taxes	203,000		
Total revenues, other financing sources and use of fund balance	\$ 10,876,945		

EXHIBIT 21
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
General Fund
Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Election and registration	-	180,810	148,230	-	32,580
Financial administration	19,040	792,597	678,597	-	133,040
Personnel administration	-	34,147	2,922	-	31,225
Planning and zoning	-	27,431	6,940	12,803	7,688
General government buildings	-	302,136	294,420	23,174	(15,458)
Insurance, not otherwise allocated	-	56,919	133,188	-	(76,269)
Other	15,239	540,757	465,845	43,518	46,633
Total general government	34,279	1,934,797	1,730,142	79,495	159,439
Public safety:					
Police	-	1,871,420	1,864,976	-	6,444
Ambulance	-	50,000	50,000	-	-
Fire	-	667,517	599,900	-	67,617
Emergency management	-	19,399	21,673	-	(2,274)
Total public safety	-	2,608,336	2,536,549	-	71,787
Highways and streets:					
Highways and streets	183,500	1,786,025	1,523,872	369,617	76,036
Street lighting	-	43,700	41,077	50,000	(47,377)
Total highways and streets	183,500	1,829,725	1,564,949	419,617	28,659
Sanitation:					
Solid waste disposal	-	62,500	76,413	6,250	(20,163)
Other	-	355,931	322,617	-	33,314
Total sanitation	-	418,431	399,030	6,250	13,151
Welfare:					
Administration and direct assistance	-	125,998	111,119	-	14,879
Culture and recreation:					
Parks and recreation	17,459	614,349	310,878	-	320,930
Public library	-	652,104	236,519	5,000	410,585
Other	-	1,000	745	-	255
Total culture and recreation	17,459	1,267,453	548,142	5,000	731,770
Conservation					
	-	3,050	1,692	-	1,358
Economic development					
	6,700	358,917	348,065	66,480	(48,928)
Debt service:					
Principal	-	-	529,688	-	(529,688)
Interest	-	1	238,920	-	(238,919)
Lease payments	-	-	165,306	-	(165,306)
Total debt service	-	1	933,914	-	(933,913)
Capital outlay:					
Machinery, vehicles and equipment	28,500	106,043	404,281	95,000	(364,738)
Improvements other than buildings	-	211,828	210,782	-	1,046
Total capital outlay	28,500	317,871	615,063	95,000	(363,692)
Other financing uses:					
Transfers out:					
Expendable trust fund	-	36,500	33,500	-	3,000
Proprietary fund	-	1,106,493	-	-	1,106,493
Nonmajor funds	-	869,373	612,940	-	256,433
Total other financing uses	-	2,012,366	646,440	-	1,365,926
Total encumbrances, appropriations, expenditures and other financing uses	\$ 270,438	\$ 10,876,945	\$ 9,435,105	\$ 671,842	\$ 1,040,436

EXHIBIT 22
TOWN OF PETERBOROUGH, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended June 30, 2018

Unassigned fund balance, beginning		\$ 2,343,105
Changes:		
Unassigned fund balance used to reduce tax rate		(203,000)
Budget summary:		
Revenue shortfall (Exhibit 20)	\$ (162,110)	
Unexpended balance of appropriations (Exhibit 21)	<u>1,040,436</u>	
Budget surplus		878,326
Decrease in nonspendable fund balance		<u>5,866</u>
Unassigned fund balance, ending		<u><u>\$ 3,024,297</u></u>



Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S COMMUNICATION TO MANAGEMENT

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

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Peterborough as of and for the year ended June 30, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the 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.

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 a 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 corrected, 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.

Our consideration of internal control was for the limited purpose described in the first 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. We identified the following deficiency in internal control that we consider to be a significant deficiency.

Cash Reconciliation – Repeat Finding

We noted that the General Fund cash account was not reconciled properly, as the process being followed did not work effectively. We noticed the cash spreadsheet had recurring formula errors and inconsistencies with the general ledger postings that increased the time necessary to reconcile the account. We understand that the Town is considering a change in accounting software, and we recommend working with any future software vendors to incorporate a reconciliation module that would streamline the process of reconciling to the bank.

Budgeting State Forms

There were multiple errors related to the classification of estimated revenues and appropriations on the MS-434 and MS-232, respectively, when compared to the general ledger postings. The Proprietary Fund "offset" balances did not balance, and debt service appropriations were not reported as such on the forms. We recommend the annual budgeting process include a "cross-walk" between general ledger accounts and the MS Form structure. The Town should be able to provide a reconciliation of amounts reported as transfers in and out on the MS Forms to general ledger accounts and funds.

***Town of Peterborough
Independent Auditor's Communication to Management***

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

Roberts & Heene, PLLC

Concord, New Hampshire
March 19, 2019