

# TOWN OF ENFIELD, NEW HAMPSHIRE

## FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2017

**TOWN OF ENFIELD, NEW HAMPSHIRE  
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# Roberts & Greene, PLLC

## INDEPENDENT AUDITOR'S REPORT

To the Town Manager and Members of the Board of Selectmen  
Town of Enfield  
Enfield, New Hampshire

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

### ***Management's Responsibility for the Financial Statements***

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

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

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

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

As discussed in Note I.B.3. to the financial statements, management has not determined its liability or annual cost for postemployment benefits other than pensions (OPEB) in governmental activities. Accounting principles generally accepted in the United States of America require that management recognize OPEB expense for the required contributions and a liability for unpaid required contributions, which would increase the liabilities, decrease net position, and increase expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position, and expenses of the governmental activities is not reasonably determinable.

### ***Adverse Opinion***

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

### ***Other Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund, and the aggregate remaining fund information of the Town of Enfield, as of December 31, 2017, and the respective changes in financial position thereof and budgetary comparisons of the major 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 and pension information on pages 4 through 9 and 38 through 40 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Enfield’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. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor governmental and individual general fund schedules and the schedule of expenditures of federal awards 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 and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2019, on our consideration of the Town of Enfield's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. Accordingly, we express no such opinion. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Roberts & Heine, PLLC*

Concord, New Hampshire  
January 17, 2019

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

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

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

The statement of net position presents information on all assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

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

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

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

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

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

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

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

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

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by the *Governmental Accounting Standards Board*.

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current fiscal year, the total assets exceeded liabilities by \$7,355,314 (i.e., net position), an increase of \$723,963 in comparison to the prior year restated balance.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$2,599,887, an increase of \$802,203 in comparison with the prior year.
- At the end of the current fiscal year, fund balance for the general fund was \$(327,862), a change of \$440,043 in comparison with the prior year.
- Total long-term debt (i.e., bonds payable and capital leases) at the close of the current fiscal year was \$6,903,504, a change of \$2,351,853 in comparison to the prior year.

## C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data comparing current and prior fiscal year:

### STATEMENT OF NET POSITION

	2017	2016
Current and other assets	\$ 8,963,550	\$ 7,885,924
Capital assets	14,174,710	11,673,104
Deferred outflows of resources	803,684	790,150
Total assets and deferred outflows of resources	23,941,944	20,349,178
Long-term liabilities outstanding	10,567,456	8,070,375
Other liabilities	5,449,285	5,354,989
Deferred inflows of resources	569,889	211,161
Total liabilities and deferred inflows of resources	16,586,630	13,636,525
Net position:		
Net investment in capital assets	7,271,206	7,121,453
Restricted	614,144	680,526
Unrestricted	(530,036)	(1,089,326)
Total net position	\$ 7,355,314	\$ 6,712,653

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$7,355,314, a change of \$723,963 from the prior year.

The largest portion of net position \$7,271,206 reflects our investment in capital assets (i.e., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$614,144 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$(530,036) may be used to meet the government's ongoing obligations to citizens and creditors. The unrestricted balance is negative because of the effects of the compensated absences and net pension liability.

### CHANGES IN NET POSITION

	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges of services	\$ 753,378	\$ 653,112
Operating grants and contributions	62,173	169,804
Capital grants and contributions	488,480	-
General revenues:		
Property and other taxes	4,340,816	4,085,314
Licenses and permits	1,087,432	1,065,068
Grant and contributions not restricted to specific programs	238,612	239,415
Miscellaneous	95,339	231,992
Total revenues	<u>7,066,230</u>	<u>6,444,705</u>
Expenses:		
General government	2,183,333	2,015,671
Public safety	1,158,521	1,168,612
Highways and streets	1,240,695	1,200,890
Sanitation	1,027,296	1,080,591
Water distribution and treatment	152,037	174,513
Health	2,200	2,151
Welfare	27,206	27,652
Culture and recreation	267,259	319,279
Conservation	436	3,515
Economic development	5,001	10,001
interest on long-term debt	222,858	128,637
Capital outlay	55,425	43,885
Total expenses	<u>6,342,267</u>	<u>6,175,397</u>
Increase in net position	<u>723,963</u>	<u>269,308</u>
Net position, January 1	<u>6,631,351</u>	<u>6,443,345</u>
Net position, December 31	<u><u>\$ 7,355,314</u></u>	<u><u>\$ 6,712,653</u></u>

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

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$2,599,887, a change of \$802,203 in comparison with the prior year. Key elements of this change are as follows:

General fund operations, discussed further in section E	\$440,043
Sewer fund expenditures exceeded revenues	(23,290)
Expendable trust fund revenues in excess of expenditures	233,276
Nonmajor fund revenues exceeded expenditures	<u>152,174</u>
Total	<u>\$802,203</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$(529,991), while total fund balance was \$(327,862). \$613,246 of the deficit is the result of the application of the “60-day rule” in accordance with GAAP.

The fund balance of the general fund changed by \$440,043 during the current fiscal year. Key factors in this change are as follows:

Unexpended balance of appropriation	\$357,672
Revenue shortfall	(168,361)
Decrease in deferred tax revenue	129,047
Capital outlay activity from lease proceeds on hand, net of income	(55,328)

#### **E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Actual revenues of \$5,787,291 for the general fund for the current fiscal year were under the budgeted revenues of \$5,955,652 in the amount of \$(168,361).

The vast majority of the variance in budgeted revenues versus actual revenues is attributable to revenue in the amount of \$162,247 (revenue from the TIF District) that was errantly accounted for twice on the MS-737. This revenue was included in both the “Miscellaneous Revenue” and “Enterprise Funds: Other”, and this had the effect of overestimating revenues in the amount of \$162,247. Without this doubling counting, the variance between budgeted revenue and actual revenue is nominal (\$6,114).

Actual expenditures and encumbrances of \$5,597,980 for the general fund for the current fiscal year were in less than budgeted expenditures \$5,955,652 in the amount of \$357,672.

A significant portion of the difference between budget expenditures and actual expenditures in 2017 can be attributed to unspent budget in the DPW’s Highway Division. More specifically, Highways and Streets (01-4312) ended the year with approximately 12% (roughly \$75,000) of its operating budget unspent. This is due in large part to a winter that was milder than average. Additionally, in 2017, the Town’s general fund operating budget included \$116,000 for capital items these were included in the Capital Outlay section of the MS-737). However, these items were intended to be paid for using available capital reserve funds. As a result, it appears that this \$116,000 was unnecessarily included in the total amount raised in taxes to fund general fund operating departments in 2017.

The result is a budget surplus of \$189,311.

#### **F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets.** Total investment in capital assets for governmental activities at year end amounted to \$14,174,710 (net of accumulated depreciation), a change of \$2,582,908 from the prior year. This investment in capital assets includes land, buildings and systems, improvements, machinery, and equipment.

The following major capital assets were purchased during the current fiscal year:

Ford Interceptor Cruiser (outfitted)	Police Department	34,926
Ford Expedition Fire Support Truck	Fire Department	43,058
Road Improvements	Department of Public Works	117,000
Bobcat Excavator	Department of Public Works	65,735
25-Ton Equipment Trailer	Department of Public Works	22,188
Dynapac Roller	Department of Public Works	48,350
Lovejoy Brook Bridge	Department of Public Works	300,000

The remaining change resulted from depreciation expense.

Additional information on capital assets can be found in the footnotes to the financial statements.

**Long-term debt.** At the end of the current fiscal year, total bonded debt outstanding was \$6,903,504, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in the footnotes to the financial statements.

### **REQUESTS FOR INFORMATION**

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

Office of the Town Manager  
23 Main Street, PO Box 373  
Enfield, New Hampshire 03748

## **BASIC FINANCIAL STATEMENTS**

**EXHIBIT 1**  
**TOWN OF ENFIELD, NEW HAMPSHIRE**  
**Statement of Net Position**  
**December 31, 2017**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 6,316,749
Investments	1,337,495
Intergovernmental receivable	229,269
Other receivables, net of allowance for uncollectibles	1,061,830
Tax deeded property held for resale	18,207
Capital assets, not being depreciated:	
Land	1,774,832
Construction in progress	2,809,781
Capital assets, net of accumulated depreciation:	
Buildings and building improvements	1,703,472
Machinery, vehicles and equipment	1,582,436
Infrastructure	6,304,189
Total assets	<u>23,138,260</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts related to pensions	<u>803,684</u>
<b>LIABILITIES</b>	
Accounts payable	270,523
Accrued payroll and benefits	63,751
Contract payable	570,533
Accrued interest payable	134,180
Intergovernmental payable	4,288,099
Retainage payable	122,199
Noncurrent obligations:	
Due within one year:	
Bonds and notes payable	133,799
Capital leases payable	119,949
Compensated absences payable	22,189
Due in more than one year:	
Bonds and notes payable	3,392,494
State revolving fund loan payable	2,655,578
Capital leases payable	601,684
Compensated absences payable	97,066
Net pension liability	3,544,697
Total liabilities	<u>16,016,741</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned revenue	360,905
Deferred amounts related to pensions	208,984
Total deferred inflows of resources	<u>569,889</u>
<b>NET POSITION</b>	
Net investment in capital assets	7,271,206
Restricted for:	
Endowments:	
Nonexpendable	204,101
Expendable	7,869
Other purposes	402,174
Unrestricted	(530,036)
Total net position	<u>\$ 7,355,314</u>

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

**EXHIBIT 2**  
**TOWN OF ENFIELD, NEW HAMPSHIRE**  
**Statement of Activities**  
**For the Year Ended December 31, 2017**

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 2,183,333	\$ 8,656	\$ 3,070	\$ -	\$ (2,171,607)
Public safety	1,158,521	37,902	51,603	-	(1,069,016)
Highways and streets	1,240,695	1,873	-	488,480	(750,342)
Sanitation	1,027,296	460,802	-	-	(566,494)
Water distribution and treatment	152,037	191,507	-	-	39,470
Health	2,200	-	-	-	(2,200)
Welfare	27,206	-	-	-	(27,206)
Culture and recreation	267,259	52,638	7,500	-	(207,121)
Conservation	436	-	-	-	(436)
Economic development	5,001	-	-	-	(5,001)
Interest on long-term debt	222,858	-	-	-	(222,858)
Capital outlay	55,425	-	-	-	(55,425)
Total primary government	<u>\$ 6,342,267</u>	<u>\$ 753,378</u>	<u>\$ 62,173</u>	<u>\$ 488,480</u>	<u>(5,038,236)</u>
General revenues:					
Property taxes					4,175,882
Other taxes					164,934
Licenses and permits					1,087,432
Grants and contributions not restricted to specific programs					238,612
Miscellaneous					95,339
Total general revenues					<u>5,762,199</u>
Change in net position					723,963
Net position, beginning, as restated, see Note III.D.					<u>6,631,351</u>
Net position, ending					<u>\$ 7,355,314</u>

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

**EXHIBIT 3**  
**TOWN OF ENFIELD, NEW HAMPSHIRE**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2017**

	General	Sewer	Expendable Trust	Capital Project	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>						
Cash and cash equivalents	\$ 3,342,384	\$ -	\$ 1,057,511	\$ 444,233	\$ 1,472,621	\$ 6,316,749
Investments	255,235	-	677,822	-	404,438	1,337,495
Receivables, net of allowance for uncollectibles:						
Taxes	783,990	-	-	-	-	783,990
Accounts	90,160	128,156	-	-	51,994	270,310
Intergovernmental	-	-	-	223,978	5,291	229,269
Interfund receivable	720,678	22,856	-	-	5,385	748,919
Tax deeded property held for resale	18,207	-	-	-	-	18,207
Total assets	<u>\$ 5,210,654</u>	<u>\$ 151,012</u>	<u>\$ 1,735,333</u>	<u>\$ 668,211</u>	<u>\$ 1,939,729</u>	<u>\$ 9,704,939</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>						
Liabilities:						
Accounts payable	\$ 189,086	\$ 79,803	\$ -	\$ 1,634	\$ -	\$ 270,523
Accrued salaries and benefits	59,852	1,081	-	-	2,818	63,751
Contracts payable	-	-	-	570,533	-	570,533
Intergovernmental payable	4,288,099	-	-	-	-	4,288,099
Retainage payable	-	-	-	122,199	-	122,199
Interfund payable	4,388	709,549	8,726	22,856	3,400	748,919
Total liabilities	<u>4,541,425</u>	<u>790,433</u>	<u>8,726</u>	<u>717,222</u>	<u>6,218</u>	<u>6,064,024</u>
Deferred inflows of resources:						
Deferred revenue	<u>997,091</u>	<u>29,184</u>	<u>-</u>	<u>-</u>	<u>14,753</u>	<u>1,041,028</u>
Fund balances:						
Nonspendable	18,207	-	-	-	204,101	222,308
Restricted	122,561	-	165,985	-	410,043	698,589
Committed	-	-	1,560,622	-	1,304,614	2,865,236
Assigned	61,361	-	-	-	-	61,361
Unassigned	(529,991)	(668,605)	-	(49,011)	-	(1,247,607)
Total fund balances	<u>(327,862)</u>	<u>(668,605)</u>	<u>1,726,607</u>	<u>(49,011)</u>	<u>1,918,758</u>	<u>2,599,887</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,210,654</u>	<u>\$ 151,012</u>	<u>\$ 1,735,333</u>	<u>\$ 668,211</u>	<u>\$ 1,939,729</u>	<u>\$ 9,704,939</u>

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

**EXHIBIT 4**  
**TOWN OF ENFIELD, NEW HAMPSHIRE**  
**Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position**  
**December 31, 2017**

Total fund balances of governmental funds (Exhibit 3)		\$ 2,599,887
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	\$ 19,222,042	
Less accumulated depreciation	<u>(5,047,332)</u>	
		14,174,710
Long-term assets are not available to pay for current period expenditures and, therefore, are not reported in the funds		
Long-term intergovernmental receivable		7,530
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (748,919)	
Payables	<u>748,919</u>	
		-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Deferred tax revenue	\$ 613,246	
Deferred ambulance revenue	22,940	
Deferred water charges	14,753	
Deferred sewer charges	<u>29,184</u>	
		680,123
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(134,180)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes outstanding	\$ 3,526,293	
State revolving fund loan payable	2,655,578	
Capital leases outstanding	721,633	
Compensated absences payable	119,255	
Net pension liability	<u>3,544,697</u>	
		(10,567,456)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$ 803,684	
Deferred inflows of resources related to pensions	<u>(208,984)</u>	
		594,700
Total net position of governmental activities (Exhibit 1)		<u><u>\$ 7,355,314</u></u>

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

**EXHIBIT 5**  
**TOWN OF ENFIELD, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2017**

	General	Sewer	Expendable Trust	Capital Project	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>						
Taxes	\$ 4,135,675	\$ -	\$ -	\$ -	\$ 334,188	\$ 4,469,863
Licenses, permits and fees	1,087,432	-	-	-	-	1,087,432
Intergovernmental	503,989	-	-	2,398,482	274,706	3,177,177
Charges for services	120,015	447,946	-	-	193,232	761,193
Miscellaneous	47,506	-	5,530	-	31,391	84,427
Total revenues	<u>5,894,617</u>	<u>447,946</u>	<u>5,530</u>	<u>2,398,482</u>	<u>833,517</u>	<u>9,580,092</u>
<b>Expenditures:</b>						
Current:						
General government	2,006,178	-	-	8,618	12,911	2,027,707
Public safety	1,076,692	-	-	-	39,913	1,116,605
Highways and streets	1,126,948	-	-	-	-	1,126,948
Sanitation	495,903	457,097	-	-	-	953,000
Water distribution and treatment	-	-	-	-	132,138	132,138
Health	2,200	-	-	-	-	2,200
Welfare	25,614	-	1,122	-	-	26,736
Culture and recreation	246,944	-	355	-	15,966	263,265
Conservation	436	-	-	-	-	436
Economic development	5,001	-	-	-	-	5,001
Debt service:						
Principal	70,714	6,670	134,737	-	87,459	299,580
Interest on long-term debt	1,347	3,234	29,918	-	89,439	123,938
Interest on tax anticipation note	6,675	-	-	-	-	6,675
Capital outlay	242,777	4,235	-	2,389,864	278,263	2,915,139
Total expenditures	<u>5,307,429</u>	<u>471,236</u>	<u>166,132</u>	<u>2,398,482</u>	<u>656,089</u>	<u>8,999,368</u>
Excess (deficiency) of revenues over (under) expenditures	<u>587,188</u>	<u>(23,290)</u>	<u>(160,602)</u>	<u>-</u>	<u>177,428</u>	<u>580,724</u>
Other financing sources (uses):						
Transfers in	254	-	393,878	-	997	395,129
Transfers out	(368,878)	-	-	-	(26,251)	(395,129)
Inception of capital leases	221,479	-	-	-	-	221,479
Total other financing sources and uses	<u>(147,145)</u>	<u>-</u>	<u>393,878</u>	<u>-</u>	<u>(25,254)</u>	<u>221,479</u>
Net change in fund balances	440,043	(23,290)	233,276	-	152,174	802,203
Fund balances, beginning	(767,905)	(645,315)	1,493,331	(49,011)	1,766,584	1,797,684
Fund balances, ending	<u>\$ (327,862)</u>	<u>\$ (668,605)</u>	<u>\$ 1,726,607</u>	<u>\$ (49,011)</u>	<u>\$ 1,918,758</u>	<u>\$ 2,599,887</u>

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

**EXHIBIT 6**  
**TOWN OF ENFIELD, NEW HAMPSHIRE**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2017**

Net change in fund balances of governmental funds (Exhibit 5)	\$	802,203
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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	\$ 2,976,714		
Depreciation expense	(393,806)		
			2,582,908

Transfers in and out between governmental funds are eliminated on the operating statement.

Transfers in	\$ (395,129)		
Transfers out	395,129		
			-

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	\$ (129,047)		
Change in deferred ambulance revenue	(4,311)		
Change in deferred water charges	(1,723)		
Change in deferred sewer charges	(1,778)		
			(136,859)

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.

State revolving fund loan draws	\$ (2,398,482)		
Inception of capital lease	(200,000)		
Repayment of bonds and notes principal	143,476		
Amortization of loan forgiveness	(2,510)		
Repayment of capital lease principal	103,153		
			(2,354,363)

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	\$ (36,784)		
Decrease in compensated absences payable	8,647		
			(28,137)

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	\$ 282,411		
Cost of benefits earned, net of employee contributions	(424,200)		
			(141,789)

Change in net position of governmental activities (Exhibit 2)	\$	723,963
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The notes to the financial statements are an integral part of this statement.

**EXHIBIT 7**  
**TOWN OF ENFIELD, NEW HAMPSHIRE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2017**

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>				
Taxes	\$ 4,038,436	\$ 4,038,436	\$ 4,006,628	\$ (31,808)
Licenses, permits and fees	1,079,300	1,079,300	1,087,432	8,132
Intergovernmental	381,831	503,991	503,989	(2)
Charges for services	97,178	97,178	120,015	22,837
Miscellaneous	89,000	89,000	47,494	(41,506)
Total revenues	<u>5,685,745</u>	<u>5,807,905</u>	<u>5,765,558</u>	<u>(42,347)</u>
<b>EXPENDITURES</b>				
Current:				
General government	2,153,339	2,153,339	2,006,428	146,911
Public safety	1,136,371	1,136,371	1,084,342	52,029
Highways and streets	1,193,565	1,193,565	1,126,948	66,617
Sanitation	506,628	506,628	495,903	10,725
Health	2,475	2,475	2,200	275
Welfare	35,039	35,039	25,614	9,425
Culture and recreation	269,025	269,025	246,944	22,081
Conservation	2,415	2,415	436	1,979
Economic development	5,000	5,000	5,001	(1)
Debt service:				
Principal	8,929	8,929	17,657	(8,728)
Interest on long-term debt	976	976	1,347	(371)
Interest on tax anticipation note	4,000	4,000	6,675	(2,675)
Capital outlay	<u>145,747</u>	<u>267,907</u>	<u>209,607</u>	<u>58,300</u>
Total expenditures	<u>5,463,509</u>	<u>5,585,669</u>	<u>5,229,102</u>	<u>356,567</u>
Excess of revenues over expenditures	<u>222,236</u>	<u>222,236</u>	<u>536,456</u>	<u>314,220</u>
Other financing sources (uses):				
Transfers in	145,747	145,747	254	(145,493)
Transfers out	(369,983)	(369,983)	(368,878)	1,105
Long-term debt issued	2,000	2,000	-	(2,000)
Return of unused lease proceeds	-	-	21,479	21,479
Total other financing sources and uses	<u>(222,236)</u>	<u>(222,236)</u>	<u>(347,145)</u>	<u>(124,909)</u>
Net change in fund balance	<u>\$ -</u>	<u>\$ -</u>	189,311	<u>\$ 189,311</u>
Decrease in nonspendable fund balance			16,613	
Increase in restricted fund balance			(100)	
Unassigned fund balance, beginning			<u>(122,569)</u>	
Unassigned fund balance, ending			<u>\$ 83,255</u>	

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

**EXHIBIT 8**  
**TOWN OF ENFIELD, NEW HAMPSHIRE**  
**Sewer Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (GAAP Basis)**  
**For the Year Ended December 31, 2017**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Charges for services	\$ 535,917	\$ 447,946	\$ (87,971)
<b>EXPENDITURES</b>			
Current:			
Sanitation	500,917	457,097	43,820
Debt service:			
Principal	6,700	6,670	30
Interest	3,300	3,234	66
Capital outlay	-	4,235	(4,235)
Total expenditures	510,917	471,236	39,681
Excess (deficiency) of revenues over (under) expenditures	25,000	(23,290)	(48,290)
Other financing uses:			
Transfers out	(25,000)	-	25,000
Net change in fund balance	\$ -	(23,290)	\$ (23,290)
Fund balance, beginning		(645,315)	
Fund balance, ending		\$ (668,605)	

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

**EXHIBIT 9**  
**TOWN OF ENFIELD, NEW HAMPSHIRE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2017**

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ 4,229	\$ 4,915
Investments	47,154	-
Total assets	<u>51,383</u>	<u>4,915</u>
Liabilities:		
Accounts payable	103	-
Due to other governmental units	567	-
Due to developers	-	4,915
Total liabilities	<u>670</u>	<u>4,915</u>
Net position:		
Held in trust for specific purposes	<u>\$ 50,713</u>	<u>\$ -</u>

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

**EXHIBIT 10**  
**TOWN OF ENFIELD, NEW HAMPSHIRE**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended December 31, 2017**

	Private Purpose Trust
Additions:	
New funds	\$ 91
Interest and dividends	670
Total additions	<u>761</u>
Deductions:	
Trust distributions	<u>670</u>
Change in net position	91
Net position, beginning	<u>50,622</u>
Net position, ending	<u><u>\$ 50,713</u></u>

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

## **NOTES TO THE BASIC FINANCIAL STATEMENT**

**TOWN OF ENFIELD, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2017**

**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 Enfield (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 December 31, 2017.

**I.B. Financial Reporting Entity – Basis of Presentation**

**I.B.1. *Entity Defined***

The Town of Enfield 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.

The statement of activities reports the direct expenses of a given function offset by program revenues directly connected with the functional program. Direct expenses are those that are clearly identifiable with a specific function. 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 ENFIELD, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2017**

*Fund Financial Statements*

Fund financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual, governmental 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, except that the Town has not reported its annual cost for postemployment benefits other than pension (OPEB) or its net OPEB obligation liability, if any, in the government-wide financial statements as required by GASB Statement No. 45.

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. 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 sixty days of the end of the fiscal year. However, on the budgetary basis, tax revenue is not so deferred in accordance with the instructions of the State of New Hampshire Department of Revenue Administration. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond and note principal and interest, which are reported as expenditures in the year due.

Major revenues susceptible to accrual are property taxes, intergovernmental amounts 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. Restricted assets and liabilities

**TOWN OF ENFIELD, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2017**

payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

**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

*Sewer Fund* – Accounts for all revenues and expenditures related to the Town’s sewage disposal operations.

*Expendable Trust Fund* – This fund is operated as a capital project fund and used to account for funds established by Town Meeting as capital reserve or other expendable trust funds for the purpose of future capital outlays.

*Capital Project Fund* – This fund is used to report the financial activity associated with planning, design, rehabilitation and construction of wastewater infrastructure.

The Town also reports six nonmajor governmental funds.

*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.

*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.

**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

**TOWN OF ENFIELD, NEW HAMPSHIRE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED**  
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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.

**I.C.2. *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 financial statements. Donated assets are stated at acquisition value on the date donated. The Town generally capitalizes assets with cost of \$10,000 or more as purchases and construction outlays occur. The cost 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 account, and the resulting gain or loss is recorded in operations. Estimated useful lives, for depreciable assets are as follow:

	<u>Years</u>
Buildings and building improvements	20-50
Machinery, vehicles and equipment	5-20
Infrastructure	30-75

**I.C.3. *Long-Term Liabilities***

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

**TOWN OF ENFIELD, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2017**

**I.C.4. *Compensated Absences***

Eligible employees earn vacation benefits in varying amounts depending on the number of years of employment, and can carry no more than the number of hours earned in the prior year. Employees are entitled to their vacation leave upon termination.

Eligible employees are granted sick leave benefits at the rate of eight (8) hours, (proportioned for less than full-time employees), for each calendar month of continuous employment, to a maximum accrual of 480 hours. Employees are entitled to 50% of their unused sick leave upon termination of employment if the employee is at least 55 years old or has had at least 20 years of Town employment.

**I.C.5. *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 allowed to be used only for the purpose of the fund.
- Restricted for other purposes, which consists of the balance of the library fund and grants fund whose purpose is restricted by state law or outside grantors and donors, and the restricted lease escrow account.
- Unrestricted, which consists of the remaining balance of net position.

The governmental funds report the following components of fund balance:

- Nonspendable, which consists of endowments in the permanent funds, and tax deeded property held by the Town for resale.
- Restricted, representing the balance of the expendable income portion of the permanent funds, the library fund, grants and donations received, but not yet spent, and the balance of the capital lease escrow account.
- Committed, representing the balances for which the intended use has been established by Town Meeting vote, and would normally require an equally formal action to remove those commitments.

**TOWN OF ENFIELD, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2017**

- Assigned, which consists of balances for which the intended use is established by the Board of Selectmen in the form of an encumbrance.
- Unassigned, which consists of the deficit balances of the General Fund, Sewer Fund and nonmajor Capital Project Fund.

**I.C.6. *Use of Estimates***

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**II. Stewardship, Compliance and Accountability**

**II.A. Budgetary Information**

An annual budget was adopted on a basis consistent with generally accepted accounting principles for the General and Sewer Funds, as well as some of the nonmajor funds. Unless encumbered, all governmental fund appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2017, there was no fund balance from 2016 to use.

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

Revenues are budgeted by source. Expenditures in the General Fund are budgeted by functions as follow: general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, conservation, economic development, 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.

**TOWN OF ENFIELD, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2017**

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

The following reconciles the budgetary basis to the GAAP basis for the General Fund. There is no difference between budgetary basis and GAAP in the Sewer Fund. The Permanent Fund does not have a formal budget.

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 5,787,291
Adjustments:	
Basis difference:	
Capital lease inception	200,000
Tax revenue deferred in the prior year	742,293
Tax revenue deferred in the current year	(613,246)
Perspective difference:	
Interest earned on lease proceeds	12
Per Exhibit 5 (GAAP basis)	<u>\$ 6,116,350</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 5,597,980
Adjustments:	
Basis difference:	
Encumbrances, beginning	6,508
Encumbrances, ending	(183,521)
Capital lease inception	200,000
Perspective difference:	
Expenditure of lease proceeds held in escrow	55,340
Per Exhibit 5 (GAAP basis)	<u>\$ 5,676,307</u>
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 83,255
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(613,246)
Per Exhibit 3 (GAAP basis)	<u>\$ (529,991)</u>

**II.C. Deficit Fund Balances**

The General Fund reports an unassigned fund deficit at year-end of \$529,991, which is due to deferral of all taxes not collected within sixty days of year-end as required by generally accepted accounting principles for governments. On the budgetary basis, which is what the Town uses in setting the tax rate, such taxes are not deferred, and there is no deficit. The deficit was carried forward from prior years, and was reduced by \$205,824 from the prior year.

The Sewer Fund reports an unassigned fund deficit at year-end of \$668,605, and the Capital Project Fund, \$49,011. These deficits will be made up by adjusting sewer user rates and a future transfer from the expendable trust fund, respectively.

**TOWN OF ENFIELD, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2017**

**III. Detailed Notes on Funds and Government-Wide Statements**

**III.A. Assets**

**III.A.1. Cash and Cash Equivalents**

*Custodial Credit Risks for Deposits*

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Town does not have a policy for custodial credit risk. As of December 31, 2017, \$612,414 of the Town of Enfield's bank balances of \$5,957,465 was exposed to custodial credit risk as uninsured and uncollateralized.

**III.A.2. Investments**

As of December 31, 2017, the Town's reporting entity had the following investments:

Certificates of Deposit	\$ 1,017,392
Mutual Funds	112,022
New Hampshire Public Deposit Investment Pool	255,235
	<u>\$ 1,384,649</u>

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 1,337,495
Fiduciary funds - statement of fiduciary net position (Exhibit 9)	47,154
Total	<u>\$ 1,384,649</u>

*Investment Policies*

**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's investment policy does not place any further restrictions on its investment choices.

**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's investment policy limits concentration of investments with a specific maturity.

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**III.A.3. 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 should be 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 should be deeded to the Town. The tax collector executed a tax lien for uncollected 2016 property taxes on June 11<sup>th</sup>.

The property taxes levied and collected by the Town include amounts for the State of New Hampshire, the Mascoma Valley Regional School District, the Eastman Village District and Grafton 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	\$ 526,890,744
For all other taxes	\$ 534,764,871

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

	<u>Per \$1,000 of Assessed Valuation</u>	
Municipal portion	\$7.38	\$ 3,945,746
School portion:		
State of New Hampshire	\$2.49	1,313,266
Local	\$14.25	7,620,303
County portion	\$1.89	1,010,313
Precinct portion:		
Eastman Village	\$1.60	24,663
Total property taxes assessed		<u><u>\$ 13,914,291</u></u>

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The following details the taxes receivable at year-end:

Property:	
Levy of 2017	\$ 507,031
Unredeemed (under tax lien):	
Levy of 2016	165,362
Levy of 2015	111,357
Levy of 2014	4,507
Levies of 2013 and prior	4,344
Land use change	120
Payment in lieu of taxes	6,269
Less: allowance for estimated uncollectible taxes	(15,000)
Net taxes receivable	<u><u>\$ 783,990</u></u>

*Other Receivables*

Other significant receivables include amounts due from customers for ambulance service, franchise fees, lease reimbursement, and the sale of town owned property in the General Fund, water and sewer charges in the Special Revenue Funds, public safety grants and a draw from the State Revolving Fund for the sewer force main construction. The receivables are as follow:

Accounts	\$ 396,310
Intergovernmental	229,269
Less: allowance for uncollectible amounts	(126,000)
Net total receivables	<u><u>\$ 499,579</u></u>

*Deferred Inflows of Resources*

Deferred revenue in the governmental funds of \$1,041,028 at December 31, 2017 represents \$360,905 of prepaid taxes to be applied to subsequent levies, and \$613,246 of property taxes, \$22,940 of ambulance charges, \$29,184 of sewer rents and \$14,753 of water charges that were not collected within sixty days after the year ended, and therefore, are deferred in accordance with generally accepted accounting principles. In the Governmental Activities, only the prepaid taxes are reported as unearned revenue.

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**III.A.4. Capital Assets**

Changes in Capital Assets

The following table provides a summary of changes in capital assets:

	Balance, beginning	Additions	Deletions	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 1,774,832	\$ -	\$ -	\$ 1,774,832
Construction in progress	411,086	2,398,695		2,809,781
Total capital assets not being depreciated	<u>2,185,918</u>	<u>2,398,695</u>	<u>-</u>	<u>4,584,613</u>
Being depreciated:				
Buildings and building improvements	2,412,518	-	-	2,412,518
Machinery, equipment and vehicles	4,261,614	214,256	(88,974)	4,386,896
Infrastructure	7,474,252	363,763	-	7,838,015
Total capital assets being depreciated	<u>14,148,384</u>	<u>578,019</u>	<u>(88,974)</u>	<u>14,637,429</u>
Total all capital assets	<u>16,334,302</u>	<u>2,976,714</u>	<u>(88,974)</u>	<u>19,222,042</u>
Less accumulated depreciation:				
Buildings and building improvements	(697,113)	(11,933)	-	(709,046)
Machinery, equipment and vehicles	(2,725,850)	(167,584)	88,974	(2,804,460)
Infrastructure	(1,319,537)	(214,289)	-	(1,533,826)
Total accumulated depreciation	<u>(4,742,500)</u>	<u>(393,806)</u>	<u>88,974</u>	<u>(5,047,332)</u>
Net book value, capital assets being depreciated	<u>9,405,884</u>	<u>184,213</u>	<u>-</u>	<u>9,590,097</u>
Net book value, all capital assets	<u><u>\$ 11,591,802</u></u>	<u><u>\$ 2,582,908</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 14,174,710</u></u>

*Depreciation Expense*

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

Governmental activities:	
General government	\$ 20,080
Public safety	55,695
Highways and streets	226,361
Sanitation	72,627
Water distribution and treatment	17,157
Culture and recreation	1,886
Total depreciation expense	<u><u>\$ 393,806</u></u>

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**III.B. Liabilities**

**III.B.1. Intergovernmental Payable**

The amount due to other governments at December 31, 2017 of \$4,288,099 consists of \$4,285,695 due to the Mascoma Valley Regional School District representing the balance of the 2017-2018 district assessment and \$2,404 for state fees collected by the Town.

**III.B.2. Short-Term Borrowing**

On April 3, 2017, the Town issued \$1,600,000 in a tax anticipation note, with an interest rate of 2.50%. This note was repaid on June 23, 2017. The Town paid \$6,675 in interest costs on this note.

**III.B.3. Long-Term Liabilities**

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

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2017	Current Portion
General obligation bonds/notes payable:						
Drinking water	\$ 317,951	2002	2021	2.976-4.580	\$ 46,375	\$ 14,104
Clean water	\$ 291,820	2011	2030	2.864	212,500	13,722
Rt. 4 water/sewer extension	\$ 3,200,000	2013	2042	2.950-4.375	2,865,533	65,454
Jones Hill Road	\$ 265,000	2014	2024	2.763	185,500	26,500
Boys Camp Road Bridge	\$ 250,000	2016	2030	2.95	216,385	14,019
					<u>3,526,293</u>	<u>133,799</u>
State revolving fund loan					<u>2,655,578</u>	<u>-</u>
Capital leases payable:						
DPW vehicles	\$ 300,000	2013	2022	2.5	159,248	30,296
DPW vehicle and cruiser	\$ 290,000	2014	2024	2.78	197,151	32,686
Cruisers, F550, truck bodies	\$ 199,000	2016	2023	3.15	165,234	34,829
Cruiser, excavator, trailer, roller, FD truck	\$ 200,000	2017	2027	3.8	200,000	22,138
					<u>721,633</u>	<u>119,949</u>
Compensated absences payable:						
Vested sick leave					21,311	2,581
Accrued vacation leave					97,944	19,608
					<u>119,255</u>	<u>22,189</u>
Net pension liability					<u>3,544,697</u>	<u>-</u>
					<u>\$ 10,567,456</u>	<u>\$ 275,937</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 December 31, 2017:

	General Obligation Bonds and Notes Payable	State Revolving Fund Loan Payable	Capital Leases Payable	Compensated Absences Payable	Net Pension Liability	Total
Balance, beginning	\$ 3,669,769	\$ 257,096	\$ 624,786	\$ 127,902	\$ 3,390,822	\$ 8,070,375
Additions	-	2,398,482	200,000	-	153,875	2,752,357
Reductions	(143,476)	-	(103,153)	(8,647)	-	(255,276)
Balance, ending	<u>\$ 3,526,293</u>	<u>\$ 2,655,578</u>	<u>\$ 721,633</u>	<u>\$ 119,255</u>	<u>\$ 3,544,697</u>	<u>\$ 10,567,456</u>

*Debt Service Requirements to Maturity*

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

Year Ending December 31,	Principal	Interest	Total
2018	\$ 133,799	\$ 147,384	\$ 281,183
2019	136,633	142,721	279,354
2020	139,181	137,369	276,550
2021	137,830	129,969	267,799
2022	135,279	124,519	259,798
2023-2027	664,724	545,975	1,210,699
2028-2032	659,906	413,191	1,073,097
2033-2037	678,347	275,758	954,105
2038-2042	840,594	113,515	954,109
Totals	<u>\$ 3,526,293</u>	<u>\$ 2,030,401</u>	<u>\$ 5,556,694</u>

The annual debt service requirements to maturity for the capital leases are as follow:

Year Ending December 31,	Principal	Interest	Total
2018	\$ 119,949	\$ 22,268	\$ 142,217
2019	115,527	18,663	134,190
2020	119,018	15,171	134,189
2021	105,339	11,571	116,910
2022	98,910	8,403	107,313
2023-2027	162,890	13,425	176,315
Totals	<u>\$ 721,633</u>	<u>\$ 89,501</u>	<u>\$ 811,134</u>

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**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 reports the interfund receivables and payables at year-end:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Sewer	\$ 709,549
General	Expendable trust	8,726
General	Nonmajor	2,403
Sewer	Capital project	22,856
Nonmajor	General	4,388
Nonmajor	Nonmajor	997
		<u><u>\$ 748,919</u></u>

The amounts due to the General Fund represent reimbursements for expenditures paid on behalf of other funds. The amount due to the General Fund from the Nonmajor Funds represents a reimbursement of an overpayment made to the Conservation Commission Fund, and the amount due to the Nonmajor Funds from the Nonmajor Funds represents the distribution of Permanent Fund income to the Library Fund.

**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, funding capital projects, and making additions to and using capital reserve accounts. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

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The following reports transfers within the reporting entity:

		Transfers In:		
	General Fund	Expendable Trust Fund	Nonmajor Funds	Total
Transfers out:				
General fund	\$ -	\$ 368,878	\$ -	\$ 368,878
Nonmajor funds	254	25,000	997	26,251
	<u>\$ 254</u>	<u>\$ 393,878</u>	<u>\$ 997</u>	<u>\$ 395,129</u>

The transfers from the General Fund to the Expendable Trust Fund and from the Expendable Trust Fund to the General Fund, represent voted appropriations. The amount transferred from the Nonmajor Funds to the General Fund and Nonmajor Funds represents the distribution of income earned on Permanent Funds.

**III.D. Restatement of Beginning Net Position**

Beginning equity at January 1, 2017 was restated as follows:

	Govermental Activities
To remove land sold in the prior year	\$ (81,302)
Net position, as previously reported	6,712,653
Net position, as restated	<u>\$ 6,631,351</u>

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**III.E. Components of Fund Balance**

Fund balance is categorized in the following components as detailed in Note I.C.5.:

	General Fund	Sewer Fund	Expendable Trust Fund	Capital Project Fund	Nonmajor Funds
Nonspendable:					
Endowments	\$ -	\$ -	\$ -	\$ -	\$ 204,101
Tax deeded property	18,207	-	-	-	-
Total nonspendable	<u>18,207</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>204,101</u>
Restricted:					
General government	-	-	-	-	7,869
Public safety	-	-	-	-	1,995
Highways and streets	122,561	-	-	-	-
Culture and recreation	-	-	-	-	400,179
Capital outlay	-	-	165,985	-	-
Total restricted	<u>122,561</u>	<u>-</u>	<u>165,985</u>	<u>-</u>	<u>410,043</u>
Committed:					
Water distribution and treatment	-	-	-	-	394,336
Conservation	-	-	-	-	10,759
Capital outlay	-	-	1,560,622	-	899,519
Total committed	<u>-</u>	<u>-</u>	<u>1,560,622</u>	<u>-</u>	<u>1,304,614</u>
Assigned:					
General government	9,041	-	-	-	-
Public safety	7,650	-	-	-	-
Capital outlay	44,670	-	-	-	-
Total assigned	<u>61,361</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unassigned	(529,991)	(668,605)	-	(49,011)	-
Total fund balance	<u>\$ (327,862)</u>	<u>\$ (668,605)</u>	<u>\$ 1,726,607</u>	<u>\$ (49,011)</u>	<u>\$ 1,918,758</u>

**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 year, the Town was a member of the NH Public Risk Management Exchange (Primex), which is organized to provide certain property and liability protection to member towns, cities and other qualified political subdivisions of New Hampshire. As a member of Primex, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 through June 30. Primex provided property and employer's liability coverage in varying amounts, and statutory coverage for workers' compensation. Contributions billed for 2017 to be recorded as an insurance expenditure/expense totaled \$48,287 for property/liability and \$67,147 for workers' compensation. The Town also paid \$1,032 for unemployment compensation. The member agreement permits Primex

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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**

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 the Town's police officers and other 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](http://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 valuation. The rates of contribution for police officers and other employees were 11.55% and 7.0% of gross earnings, respectively. The rates of contribution from the Town of Enfield for the period of January 1<sup>st</sup> to June 30<sup>th</sup> were 26.38% for police and 11.17% for other employees, increasing on July 1<sup>st</sup> to 29.43% for police and 11.38% for other employees. The rates are actuarially determined to generate an amount that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the Town during the years 2015, 2016, and 2017 were \$257,878, \$262,220 and \$282,411, 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 December 31, 2017, the Town reported a liability of \$3,544,697 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as June 30, 2016, rolled forward. 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, 2017, the Town's proportion was 0.0721%, which was an increase of 0.0083% from its proportion measured as of June 30, 2016.

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For the year 2017, the Town recognized pension expense of \$424,200. At year-end, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 291,182	\$ 118,726
Net differences between projected and actual earnings on pension plan investments	-	45,144
Changes in assumption	355,934	-
Differences between expected and actual experience	8,037	45,114
Town contributions subsequent to the measurement date	148,531	-
	<u>\$ 803,684</u>	<u>\$ 208,984</u>

The Town reported \$148,531 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 following year.

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

Year Ended December 31,	
2018	\$ 92,328
2019	180,446
2020	160,650
2021	12,745
	<u>\$ 446,169</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

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

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

*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	\$ 4,669,961	\$ 3,544,697	\$ 2,622,589

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**

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

## **REQUIRED SUPPLEMENTARY INFORMATION**

**EXHIBIT 11**  
**TOWN OF ENFIELD, NEW HAMPSHIRE**  
*Schedule of the Town's Proportionate Share of the Net Pension Liability*  
**New Hampshire Retirement System**

For the Year Ended December 31,	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 Position as a Percentage of the Total Pension Liability
2014	0.0690%	\$ 2,590,863	\$ 1,668,595	155.27%	66.32%
2015	0.0659%	\$ 2,609,808	\$ 1,749,061	149.21%	65.47%
2016	0.0638%	\$ 3,390,822	\$ 1,727,692	196.26%	58.30%
2017	0.0721%	\$ 3,544,697	\$ 1,776,206	199.57%	62.66%

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

**EXHIBIT 12**  
**TOWN OF ENFIELD, NEW HAMPSHIRE**  
**Schedule of the Town's Pension Contributions**  
**New Hampshire Retirement System**

For the Year Ended December 31,	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	\$ 243,441	\$ (243,441)	\$ -	\$ 1,668,595	14.59%
2015	\$ 257,878	\$ (257,878)	\$ -	\$ 1,749,061	14.74%
2016	\$ 262,220	\$ (262,220)	\$ -	\$ 1,727,692	15.18%
2017	\$ 282,411	\$ (282,411)	\$ -	\$ 1,776,206	15.90%

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

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NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION  
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The 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 third year that the Town has presented the pension schedules, only four years are presented. An additional year's information will be added each year until there are ten years shown.

## **COMBINING AND INDIVIDUAL FUND SCHEDULES**

**EXHIBIT 13**  
**TOWN OF ENFIELD, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2017**

	Special Revenue Funds						
	Water	Grants	TIF District	Library	Conservation Commission	Permanent Fund	Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ 358,766	\$ -	\$ 899,519	\$ 190,418	\$ 6,371	\$ 17,547	\$ 1,472,621
Investments	-	-	-	208,764	-	195,674	404,438
Receivables:							
Accounts	51,994	-	-	-	-	-	51,994
Intergovernmental	-	5,291	-	-	-	-	5,291
Interfund receivable	-	-	-	997	4,388	-	5,385
Total assets	<u>\$ 410,760</u>	<u>\$ 5,291</u>	<u>\$ 899,519</u>	<u>\$ 400,179</u>	<u>\$ 10,759</u>	<u>\$ 213,221</u>	<u>\$ 1,939,729</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>							
Liabilities:							
Accrued salaries and benefits	\$ 1,671	\$ 1,147	\$ -	\$ -	\$ -	\$ -	\$ 2,818
Interfund payable	-	2,149	-	-	-	1,251	3,400
Total liabilities	<u>1,671</u>	<u>3,296</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,251</u>	<u>6,218</u>
Deferred inflows of resources:							
Deferred revenue	<u>14,753</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,753</u>
Fund balances:							
Nonspendable	-	-	-	-	-	204,101	204,101
Restricted	-	1,995	-	400,179	-	7,869	410,043
Committed	394,336	-	899,519	-	10,759	-	1,304,614
Total fund balances	<u>394,336</u>	<u>1,995</u>	<u>899,519</u>	<u>400,179</u>	<u>10,759</u>	<u>211,970</u>	<u>1,918,758</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 410,760</u>	<u>\$ 5,291</u>	<u>\$ 899,519</u>	<u>\$ 400,179</u>	<u>\$ 10,759</u>	<u>\$ 213,221</u>	<u>\$ 1,939,729</u>

**EXHIBIT 14**  
**TOWN OF ENFIELD, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended December 31, 2017**

	Special Revenue Funds						
	Water	Grants	TIF District	Library	Conservation Commission	Permanent Fund	Total
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ 334,188	\$ -	\$ -	\$ -	\$ 334,188
Intergovernmental	-	51,603	223,103	-	-	-	274,706
Charges for services	193,232	-	-	-	-	-	193,232
Miscellaneous	-	7,499	-	20,818	4	3,070	31,391
Total revenues	193,232	59,102	557,291	20,818	4	3,070	833,517
<b>EXPENDITURES</b>							
Current:							
General government	-	12,911	-	-	-	-	12,911
Public safety	-	39,913	-	-	-	-	39,913
Water distribution and treatment	132,138	-	-	-	-	-	132,138
Culture and recreation	-	12,396	-	3,570	-	-	15,966
Debt service:							
Principal	12,222	-	75,237	-	-	-	87,459
Interest	2,430	-	87,009	-	-	-	89,439
Capital outlay	6,500	-	246,763	-	-	25,000	278,263
Total expenditures	153,290	65,220	409,009	3,570	-	25,000	656,089
Excess (deficiency) of revenues over (under) expenditures	39,942	(6,118)	148,282	17,248	4	(21,930)	177,428
Other financing sources (uses):							
Transfers in	-	-	-	997	-	-	997
Transfers out	(25,000)	-	-	-	-	(1,251)	(26,251)
Total other financing sources and uses	(25,000)	-	-	997	-	(1,251)	(25,254)
Net change in fund balances	14,942	(6,118)	148,282	18,245	4	(23,181)	152,174
Fund balances, beginning	379,394	8,113	751,237	381,934	10,755	235,151	1,766,584
Fund balances, ending	\$ 394,336	\$ 1,995	\$ 899,519	\$ 400,179	\$ 10,759	\$ 211,970	\$ 1,918,758

**EXHIBIT 15**  
**TOWN OF ENFIELD, NEW HAMPSHIRE**  
**General Fund**  
**Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2017**

	Estimated	Actual	Variance Positive (Negative)
<b>Taxes:</b>			
Property	\$ 3,886,929	\$ 3,841,694	\$ (45,235)
Land use change	26,660	26,660	-
Timber	10,000	10,039	39
Excavation	118	119	1
Interest and penalties on delinquent taxes	114,729	128,116	13,387
Total taxes	<u>4,038,436</u>	<u>4,006,628</u>	<u>(31,808)</u>
<b>Licenses, permits and fees:</b>			
Business licenses and permits	300	86	(214)
Motor vehicle permits	997,000	1,002,846	5,846
Building permits	9,000	10,278	1,278
Other	73,000	74,222	1,222
Total licenses, permits and fees	<u>1,079,300</u>	<u>1,087,432</u>	<u>8,132</u>
<b>Intergovernmental:</b>			
State sources:			
Meals and rooms distributions	238,612	238,612	-
Highway block grant	143,219	143,217	(2)
Additional highway block grant	122,160	122,160	-
Total intergovernmental	<u>503,991</u>	<u>503,989</u>	<u>(2)</u>
<b>Charges for services:</b>			
Income from departments	<u>97,178</u>	<u>120,015</u>	<u>22,837</u>
<b>Miscellaneous:</b>			
Sale of property	56,000	9,361	(46,639)
Interest on investments	4,000	6,844	2,844
Rent of property	-	4,785	4,785
Insurance dividends and reimbursements	29,000	24,904	(4,096)
Contributions and donations	-	1,600	1,600
Total miscellaneous	<u>89,000</u>	<u>47,494</u>	<u>(41,506)</u>
<b>Other financing sources:</b>			
Transfers in:			
Expendable trust fund	145,747	254	(145,493)
Long-term debt issued	2,000	-	(2,000)
Return of unused lease proceeds	-	21,479	21,479
Total other financing sources	<u>147,747</u>	<u>21,733</u>	<u>(126,014)</u>
<b>Total revenues and other financing sources</b>	<u><u>\$ 5,955,652</u></u>	<u><u>\$ 5,787,291</u></u>	<u><u>\$ (168,361)</u></u>

**EXHIBIT 16**  
**TOWN OF ENFIELD, NEW HAMPSHIRE**  
**General Fund**  
**Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2017**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 305,181	\$ 264,814	\$ 1,320	\$ 39,047
Election and registration	-	81,030	68,038	-	12,992
Financial administration	6,400	224,392	224,521	-	6,271
Revaluation of property	108	33,000	25,279	7,721	108
Legal	-	15,000	24,505	-	(9,505)
Personnel administration	-	1,130,822	1,064,929	-	65,893
Planning and zoning	-	88,227	83,103	-	5,124
General government buildings	-	186,600	161,411	-	25,189
Cemeteries	-	7,100	5,808	-	1,292
Insurance, not otherwise allocated	-	48,287	48,287	-	-
Advertising and regional associations	-	33,200	33,200	-	-
Other	-	500	-	-	500
Total general government	6,508	2,153,339	2,003,895	9,041	146,911
Public safety:					
Police	-	719,368	710,594	-	8,774
Ambulance	-	138,625	125,977	-	12,648
Fire	-	128,013	88,237	7,650	32,126
Building inspection	-	71,565	72,944	-	(1,379)
Emergency management	-	2,500	-	-	2,500
Other	-	76,300	78,940	-	(2,640)
Total public safety	-	1,136,371	1,076,692	7,650	52,029
Highways and streets:					
Administration	-	580,065	575,915	-	4,150
Highways and streets	-	583,500	519,079	-	64,421
Street lighting	-	30,000	31,954	-	(1,954)
Total highways and streets	-	1,193,565	1,126,948	-	66,617
Sanitation:					
Administration	-	57,128	57,125	-	3
Solid waste collection	-	330,300	315,831	-	14,469
Solid waste disposal	-	119,200	122,947	-	(3,747)
Total sanitation	-	506,628	495,903	-	10,725
Health:					
Administration	-	375	200	-	175
Pest control	-	2,100	2,000	-	100
Total health	-	2,475	2,200	-	275
Welfare:					
Administration	-	11,939	12,300	-	(361)
Direct assistance	-	23,100	13,314	-	9,786
Total welfare	-	35,039	25,614	-	9,425

(continued)

**EXHIBIT 16 (continued)**  
**TOWN OF ENFIELD, NEW HAMPSHIRE**  
**General Fund**  
**Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2017**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Culture and recreation:					
Parks and recreation	-	94,050	82,361	-	11,689
Public library	-	169,715	157,732	-	11,983
Patriotic purposes	-	750	609	-	141
Other	-	4,510	6,242	-	(1,732)
Total culture and recreation	-	269,025	246,944	-	22,081
Conservation	-	2,415	436	-	1,979
Economic development	-	5,000	5,001	-	(1)
Debt service:					
Principal	-	8,929	17,657	-	(8,728)
Interest on long-term debt	-	976	1,347	-	(371)
Interest on tax anticipation note	-	4,000	6,675	-	(2,675)
Total debt service	-	13,905	25,679	-	(11,774)
Capital outlay:					
Machinery, vehicles and equipment	-	29,747	-	-	29,747
Buildings	-	76,000	7,263	44,670	24,067
Improvements other than buildings	-	162,160	35,514	122,160	4,486
Total capital outlay	-	267,907	42,777	166,830	58,300
Other financing uses:					
Transfers out:					
Expendable trust fund	-	369,983	368,878	-	1,105
Total encumbrances, appropriations, expenditures and other financing uses	\$ 6,508	\$ 5,955,652	\$ 5,420,967	\$ 183,521	\$ 357,672

**EXHIBIT 17**  
**TOWN OF ENFIELD, NEW HAMPSHIRE**  
**General Fund**  
**Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2017**

Unassigned fund balance, beginning		\$ (122,569)
Changes:		
Budget summary:		
Revenue shortfall (Exhibit 15)	\$ (168,361)	
Unexpended balance of appropriations (Exhibit 16)	<u>357,672</u>	
Budget surplus		189,311
Decrease in nonspendable fund balance		16,613
Increase in restricted fund balance		<u>(100)</u>
Unassigned fund balance, ending		<u>\$ 83,255</u>

**EXHIBIT 18**  
**TOWN OF ENFIELD, NEW HAMPSHIRE**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2017**

FEDERAL GRANTOR/PASS THROUGH GRANTOR/PROGRAM TITLE	CFDA Number	Pass-Through Grantor's Number	Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>			
Water and Wastewater Disposal Systems for Rural Communities:			
Water and Sewer System Improvements - Loan	10.760	N/A	\$ 1,172,000
Water and Sewer System Improvements - Grant	10.760	N/A	789,086
			<u>1,961,086</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Passed through the State of New Hampshire Department of Safety			
Drug Eradication Program	16.004	2017-93	<u>10,000</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Passed through the State of New Hampshire Department of Safety			
National Priority Safety Programs:			
E-Ticket Equipment	20.616	310-17B-075	2,285
DWI Patrols	20.616	308-17B-026	6,743
Step	20.616	315-17B-039	7,882
			<u>16,910</u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			
Passed through the State of New Hampshire Department of Safety			
Capitalization Grants for Clean Water State Revolving Funds	66.458	CS-330167-04	<u>695,104</u>
<b>U.S. EMERGENCY MANAGEMENT AGENCY</b>			
Passed through the State of New Hampshire Department of Safety			
Hazard Mitigation Grant Programs	97.039	DR-4139-HMGP-090117-ENF	<u>212,601</u>
Total Direct Funding			<u>1,961,086</u>
GRAND TOTAL			<u>\$ 2,895,701</u>

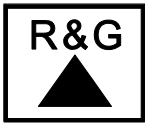
**TOWN OF ENFIELD, NEW HAMPSHIRE**  
**NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AS OF AND FOR THE YEAR ENDED**  
**DECEMBER 31, 2017**

**1. Basis of Presentation**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Town of Enfield under programs of the federal government for the year ended December 31, 2017. The information in this schedule is presented in accordance with the requirements of Title 2, U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Because the schedule presents only a selected portion of the operations of the Town, it is not intended to, and does not, present the financial position or changes in net position of the Town of Enfield.

**2. Summary of Significant Accounting Policies**

Expenditures included on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.



# Roberts & Greene, PLLC

## **INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Town Manager and Members of the Board of Selectmen  
Town of Enfield  
Enfield, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Enfield, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements and have issued our report thereon dated January 17, 2019.

### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the 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. 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 of this section 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 have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described as item 2017-001 in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2017-002.

**Town of Enfield**

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance  
and Other Matters Based on an Audit of Financial Statements Performed in Accordance  
with *Government Auditing Standards***

**Town of Enfield's Response to Findings**

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Town's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Roberts & Greene, PLLC*

Concord, New Hampshire  
January 17, 2019



# Roberts & Greene, PLLC

## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Town Manager and Members of the Board of Selectmen  
Town of Enfield  
Enfield, New Hampshire

### **Report on Compliance for the Major Federal Program**

We have audited the Town of Enfield's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the Town's major federal program for the year ended December 31, 2017. The Town's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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

Our responsibility is to express an opinion on compliance for the Town's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2, U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program occurred. An audit includes examining, on a test basis, evidence about the Town's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the Town's compliance.

#### ***Opinion on the Major Federal Program***

In our opinion, the Town of Enfield, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2017.

### **Report on Internal Control over Compliance**

Management of the Town is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Town's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over

**Town of Enfield**  
**Independent Auditor's Report on Compliance for the Major Program and on**  
**Internal Control Over Compliance Required by the Uniform Guidance**

compliance. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Roberts & Heene, PLLC*

Concord, New Hampshire  
January 17, 2019

**EXHIBIT 19**  
**TOWN OF ENFIELD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Section I – Summary of Auditor’s Results**

*Financial Statements*

1. The auditor’s report issued contained an adverse opinion on the financial statements of the governmental activities, and an unmodified opinion on each major fund and the aggregate remaining fund information.
2. There were no material weaknesses identified in the internal control over financial reporting.
3. There was one significant deficiency identified in the internal control over financial reporting that was not considered to be a material weakness.
4. There was one instance of noncompliance material to the financial statements noted.

*Federal Awards*

1. There were no material weaknesses identified in the internal control over the major program.
2. There were no significant deficiencies identified in the internal control over the major program that were not considered to be material weaknesses.
3. The auditor’s report issued on compliance for the major program contained an unmodified opinion.
4. There were no audit findings required to be reported in accordance with the Uniform Guidance.
5. The program tested as a major program was CFDA No. 10.760: Water and Wastewater Disposal Systems for Rural Communities.
6. The dollar threshold used to distinguish between Type A and Type B programs was \$750,000.
7. The Town of Enfield did not qualify as a low-risk auditee.

**Section II – Financial Statement Findings**

**2017-001 Deficit Fund Balances**

**Criteria:** Fund balance is the remaining resources after liabilities are subtracted from assets. A positive fund balance means there are more assets than liabilities, and a negative (deficit) fund balance means just the opposite. Operating with a deficit fund balance increases the likelihood that a Town would not have enough resources to pay its current liabilities.

**EXHIBIT 19**  
**TOWN OF ENFIELD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Condition:** The General, Sewer and Capital Project Funds have deficit fund balances on the GAAP basis of \$327,862, \$668,605 and \$49,011, respectively.

**Cause:** In the General Fund, property tax receivables that are not collected within 60 days of year-end are deferred. In the Sewer Fund, expenditures have been greater than revenues for a number of years. In the Capital Project Fund, the balance has been carried forward from past years.

**Effect:** Deficits in fund balances increases the likelihood that the Town would have to obtain short-term financing to cover cash flows. This was the case during 2017. Deficits in funds other than the General Fund result in overdrafts of pooled cash, which are short-term loans from the General Fund to other funds, creating a decrease in assets available in the General Fund to satisfy that fund's liabilities.

**Recommendation:** We recommend that the Town take steps to continue increasing the fund balance in the General Fund to reach a level that would reduce the likelihood of requiring short-term financing. We further recommend that the Town establish a fund balance policy that identifies the target level of fund balance by fund, and describes the steps to be taken in situations when fund balances are above or below the targeted range.

**Response:** Management accepts this finding, but wishes to note that strategies were put in place beginning in the second half of 2017 (and continuing on moving forward) to address these issues. These strategies include: refraining from using available undesignated fund balance in the General Fund to reduce increases in the property tax rate; conservatively forecasting non-property tax revenue to avoid a local revenue shortfall and ensure that the property tax rate is set at a sufficient level to cover General Fund expenses, and; significantly adjusting the sewer rates (including instituting a deficit reduction surcharge with the intent of eliminating the existing Sewer Fund deficit within 5-7 years) to ensure that annual revenues reliably exceed annual expenses.

**2017-002 Other Postemployment Benefits**

**Criteria:** Government Accounting Standards Board Statement No. 45: *Accounting and Financial Reporting By Employers for Postemployment Benefits Other Than Pensions* establishes standards for the measurement, recognition, and display of expense/expenditures and related liabilities, note disclosures, and required supplementary information in the financial report of the Town. For the year ending December 31, 2018, GASB Statement No. 75: *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* will replace the requirements of GASB Statement No. 45.

**Condition:** The Town has not implemented either of these GASB Statements.

**EXHIBIT 19**  
**TOWN OF ENFIELD**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2017**

**Cause:** The Town has not determined its expense/expenditures and related liabilities, note disclosures and required supplementary information as required.

**Effect:** The Town is receiving an adverse opinion on its governmental activities.

**Recommendation:** If management wishes to get an unmodified opinion on the governmental activities, the Town will have to obtain a measurement valuation to determine its liability. This can be done by an actuary or by using an alternative measurement method, as described in these GASB Statements.

**Response:** Management accepts this finding. It is our understanding that, because the Town does not contribute monetarily toward the health/dental insurance premiums of retired employees, the Town is subject to the *implicit rate subsidy* only. We recognize that, even though a retired/former employee would be paying 100% of their own insurance costs if they remained on the Town's plan after separating from employment with the Town, (s)he would be paying a lower premium rate because (s)he is in a pool with all employees. It is not a liability that the Town could "fund" separately, so it is not necessary (or advisable) to establish a separate trust for this purpose. The Town will explore working with an actuary to determine the value of this benefit.

**Section III – Federal Award Findings and Questioned Costs**

*No findings*