

TOWN OF TEMPLE, NEW HAMPSHIRE

Annual Financial Statements

For the Year Ended December 31, 2017

Town of Temple, New Hampshire

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Temple, New Hampshire

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

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Melanson Heath

May 29, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town, we offer readers this narrative overview and analysis of the financial activities of the Town 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 comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

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

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

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

The governmental activities include general government, public safety, highways and streets, sanitation, health and welfare, library and recreation, and conservation.

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

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

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

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

Fiduciary funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$2,755,146 (i.e., net position), a change of \$80,821 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$819,656 a change of \$5,373 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$451,810, a change of \$(44,664) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years (in thousands).

	<u>NET POSITION</u>	
	Governmental <u>Activities</u>	
	<u>2017</u>	<u>2016</u>
Current and other assets	\$ 2,202	\$ 2,269
Capital assets	<u>1,939</u>	<u>1,893</u>
Total assets	4,141	4,162
Long-term liabilities outstanding	46	126
Other liabilities	<u>1,340</u>	<u>1,362</u>
Total liabilities	1,386	1,488
Net position:		
Net investment in capital assets	1,828	1,701
Restricted	269	266
Unrestricted	<u>658</u>	<u>707</u>
Total net position	<u>\$ 2,755</u>	<u>\$ 2,674</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$2,755,146, a change of \$80,821 from the prior year.

The largest portion of net position \$1,827,972 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$268,697 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$658,477 may be used to meet the government's ongoing obligations to citizens and creditors.

CHANGES IN NET POSITION

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 276	\$ 264
Operating grants and contributions	136	74
General revenues:		
Property taxes	707	813
Penalties and interest on taxes	53	55
Grants and contributions not restricted to specific programs	72	73
Investment income	5	4
Other	<u>26</u>	<u>48</u>
Total revenues	1,275	1,331
Expenses:		
General government	363	408
Public safety	349	346
Highways and streets	337	472
Sanitation	61	67
Health and welfare	21	17
Library and recreation	63	55
Conservation	1	-
Interest expense	<u>3</u>	<u>4</u>
Total expenses	<u>1,198</u>	<u>1,369</u>
Change in net position before permanent fund contributions	77	(38)
Permanent fund contributions	<u>4</u>	<u>8</u>
Change in net position	81	(30)
Net position - beginning of year	<u>2,674</u>	<u>2,704</u>
Net position - end of year	<u>\$ 2,755</u>	<u>\$ 2,674</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$80,821. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 2,840
Nonmajor funds - operating results	2,533
Depreciation expense in excess of principal debt service	(11,499)
Other GAAP accruals	<u>86,947</u>
Total	<u>\$ 80,821</u>

D. FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

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

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$819,656, a change of \$5,373 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 2,840
Nonmajor fund operating results	<u>2,533</u>
Total	<u>\$ 5,373</u>

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$451,810, while total fund balance was \$550,959. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/17</u>	<u>12/31/16</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 451,810	\$ 496,474	\$ (44,664)	34.3%
Total fund balance	\$ 550,959	\$ 548,119	\$ 2,840	41.8%

The total fund balance of the general fund changed by \$2,840 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 92,549
Expenditures less than budget	42,441
Use of fund balance as a funding source	(103,000)
Excess tax collections compared to net levy	(45,880)
Change in capital reserve	20,456
Other	<u>(3,726)</u>
Total	<u>\$ 2,840</u>

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

	<u>12/31/17</u>	<u>12/31/16</u>	<u>Change</u>
Capital reserve	\$ 61,817	\$ 41,361	\$ 20,456

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no major differences between the original budget and the final amended budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental at year-end amounted to \$1,939,015 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Additional information on capital assets can be found in the Notes to Financial Statements.

Long-term debt. At the end of the current year, total bonded debt outstanding was \$111,043, all of which was backed by the full faith and credit of the government.

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

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Town's finances for all 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:

Board of Selectmen
Town of Temple
P.O. Box 191
Temple, New Hampshire 03084

TOWN OF TEMPLE, NEW HAMPSHIRE

STATEMENT OF NET POSITION

DECEMBER 31, 2017

	Governmental <u>Activities</u>
ASSETS	
Current:	
Cash and short-term investments	\$ 1,288,563
Receivables, net of allowance for uncollectibles:	
Property taxes	828,942
Other assets	4,015
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	80,193
Capital Assets:	
Land and construction in progress	621,438
Other capital assets, net of accumulated depreciation	<u>1,317,577</u>
TOTAL ASSETS	4,140,728
LIABILITIES	
Current:	
Accounts payable	2,736
Due to school district	1,252,542
Accrued expenses	7,942
Current portion of long-term liabilities:	
Bonds payable	75,709
Other	566
Noncurrent:	
Bonds payable, net of current portion	35,334
Other, net of current portion	<u>10,753</u>
TOTAL LIABILITIES	1,385,582
NET POSITION	
Net investment in capital assets	1,827,972
Restricted for:	
Other purposes	136,263
Permanent funds:	
Nonexpendable	76,652
Expendable	55,782
Unrestricted	<u>658,477</u>
TOTAL NET POSITION	\$ <u><u>2,755,146</u></u>

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

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

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities
Governmental Activities:				
General government	\$ 362,954	\$ 275,824	\$ -	\$ (87,130)
Public safety	349,140	-	-	(349,140)
Highways and streets	337,366	-	135,013	(202,353)
Sanitation	61,171	-	-	(61,171)
Health and welfare	20,944	-	-	(20,944)
Library and recreation	62,916	-	994	(61,922)
Conservation	610	-	-	(610)
Interest	2,840	-	-	(2,840)
Total Governmental Activities	\$ 1,197,941	\$ 275,824	\$ 136,007	(786,110)
General Revenues:				
				707,205
				53,467
				72,037
				4,969
				25,563
				863,241
				77,131
				3,690
				80,821
Net Position:				
				2,674,325
				\$ 2,755,146

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

TOWN OF TEMPLE, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2017

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS			
Cash and short-term investments	\$ 1,019,866	\$ 268,697	\$ 1,288,563
Receivables:			
Property taxes	1,010,160	-	1,010,160
Other assets	<u>4,015</u>	<u>-</u>	<u>4,015</u>
TOTAL ASSETS	<u>\$ 2,034,041</u>	<u>\$ 268,697</u>	<u>\$ 2,302,738</u>
LIABILITIES			
Accounts payable	\$ 2,736	\$ -	\$ 2,736
Due to school district	1,252,542	-	1,252,542
Due to other funds	(1,010)	-	(1,010)
Accrued expenses	<u>7,052</u>	<u>-</u>	<u>7,052</u>
TOTAL LIABILITIES	1,261,320	-	1,261,320
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenues	220,752	-	220,752
FUND BALANCES			
Nonspendable	-	76,652	76,652
Restricted	-	192,045	192,045
Committed	61,817	-	61,817
Assigned	37,332	-	37,332
Unassigned	<u>451,810</u>	<u>-</u>	<u>451,810</u>
TOTAL FUND BALANCES	<u>550,959</u>	<u>268,697</u>	<u>819,656</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES	<u>\$ 2,033,031</u>	<u>\$ 268,697</u>	<u>\$ 2,301,728</u>

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

TOWN OF TEMPLE, NEW HAMPSHIRE

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

DECEMBER 31, 2017

Total governmental fund balances	\$ 819,656
<ul style="list-style-type: none">• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,939,015
<ul style="list-style-type: none">• Revenues are reported on the accrual basis of accounting and are not deferred until collection.	119,727
<ul style="list-style-type: none">• Long-term liabilities, including bonds payable, capital leases, landfill closure, accrued compensated absences and net OPEB obligation are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(123,252)</u>
Net position of governmental activities	<u><u>\$ 2,755,146</u></u>

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

TOWN OF TEMPLE, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Taxes	\$ 762,182	\$ -	\$ 762,182
Penalties, interest and other taxes	53,467	-	53,467
Licenses and permits	275,300	-	275,300
Intergovernmental	208,044	-	208,044
Departmental	524	-	524
Investment income	3,595	1,374	4,969
Contributions	-	1,002	1,002
Miscellaneous	<u>17,436</u>	<u>10,815</u>	<u>28,251</u>
Total Revenues	1,320,548	13,191	1,333,739
Expenditures:			
Current:			
General government	341,080	8,390	349,470
Public safety	337,591	-	337,591
Highways and streets	411,440	-	411,440
Sanitation	61,171	-	61,171
Health and welfare	20,944	-	20,944
Library and recreation	46,948	2,268	49,216
Conservation	610	-	610
Debt service	85,624	-	85,624
Capital outlay	<u>12,300</u>	<u>-</u>	<u>12,300</u>
Total Expenditures	<u>1,317,708</u>	<u>10,658</u>	<u>1,328,366</u>
Change in fund balance	2,840	2,533	5,373
Fund Balance, at Beginning of Year	<u>548,119</u>	<u>266,164</u>	<u>814,283</u>
Fund Balance, at End of Year	<u>\$ 550,959</u>	<u>\$ 268,697</u>	<u>\$ 819,656</u>

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

TOWN OF TEMPLE, 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 - TOTAL GOVERNMENTAL FUNDS	\$ 5,373										
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capital outlay</td> <td style="text-align: right;">138,530</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(92,583)</td> </tr> </table> • The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position. <table border="0" style="margin-left: 40px;"> <tr> <td>Repayments of debt</td> <td style="text-align: right;">81,084</td> </tr> </table> • Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;">(54,977)</td> </tr> </table> • Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td></td> <td style="text-align: right;"><u>3,394</u></td> </tr> </table> 		Capital outlay	138,530	Depreciation	(92,583)	Repayments of debt	81,084		(54,977)		<u>3,394</u>
Capital outlay	138,530										
Depreciation	(92,583)										
Repayments of debt	81,084										
	(54,977)										
	<u>3,394</u>										
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u><u>80,821</u></u>										

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

TOWN OF TEMPLE, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original Budget	Final Budget		
Revenues and Other Sources:				
Property taxes	\$ 808,062	\$ 808,062	\$ 808,062	\$ -
Penalties, interest and other taxes	45,200	45,200	53,727	8,527
Licenses and permits	256,450	256,450	275,300	18,850
Intergovernmental	146,147	146,147	208,044	61,897
Charges for services	450	450	524	74
Investment income	2,000	2,000	3,126	1,126
Miscellaneous	8,100	8,100	9,088	988
Transfers in	5,531	5,531	6,618	1,087
Use of fund balance	103,000	103,000	103,000	-
Total Revenues and Other Sources	1,374,940	1,374,940	1,467,489	92,549
Expenditures and Other Uses:				
General government	364,523	364,523	316,579	47,944
Public safety	337,417	337,417	337,591	(174)
Highways and streets	392,751	392,751	413,732	(20,981)
Sanitation	61,212	61,212	61,171	41
Health and welfare	32,576	32,576	20,944	11,632
Library and recreation	54,047	54,047	46,948	7,099
Conservation	519	519	610	(91)
Debt service	82,595	82,595	85,624	(3,029)
Capital outlay	12,300	12,300	12,300	-
Transfer out	37,000	37,000	37,000	-
Total Expenditures and Other Uses	1,374,940	1,374,940	1,332,499	42,441
Excess of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ 134,990	\$ 134,990

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

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

	Private Purpose Trust <u>Funds</u>
ASSETS	
Cash and short-term investments	\$ 6,767
Investments	<u>64,217</u>
Total Assets	<u>70,984</u>
NET POSITION	
Total net position held in trust	\$ <u><u>70,984</u></u>

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

TOWN OF TEMPLE, NEW HAMPSHIRE
 FIDUCIARY FUNDS
 STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED DECEMBER 31, 2017

	<u>Private Purpose Funds</u>
Additions:	
Investment income	\$ 405
Contributions	<u>250</u>
Total additions	655
 Deductions:	
Other	<u>100</u>
Total deductions	<u>100</u>
Net increase	555
 Net position:	
Beginning of year	<u>70,429</u>
End of year	<u><u>\$ 70,984</u></u>

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

TOWN OF TEMPLE, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes, are reported separately.

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

Fund Financial Statements

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The Town reports the following fiduciary funds:

- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

D. Cash and Short-Term Investments

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts.

E. Investments

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

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

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	50 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

G. Compensated Absences

It is the Town’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

H. Long-Term Obligations

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

I. Fund Equity

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

Fund Balance - Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when

there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

J. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

The Town's budget is originally prepared by the Selectmen's office with cooperation of the various department heads. The Budget Committee also compiles its own budget. Both budgets are then reviewed at a joint meeting with the Selectmen and Budget Committee to determine the final budget. After reviewing the budget, the Selectmen hold a public hearing for discussion.

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

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

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

B. Budgetary Basis

The general fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

C. Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of

the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 1,320,548	\$ 1,317,708
Adjust tax revenue to accrual basis	45,880	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(10,284)
Recognize use of fund balance as funding source/use	103,000	-
Remove effect of combining capital reseves and general fund	(1,659)	18,797
Other timing differences	<u>(280)</u>	<u>6,278</u>
Budgetary basis	<u>\$ 1,467,489</u>	<u>\$ 1,332,499</u>

3. Cash and Short-Term Investments

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

As of December 31, 2017, none of the Town's bank balance of \$750,741 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

Presented below is the actual rating as of year-end for each investment of the Town. (All federal agency securities have an implied credit rating of AAA):

<u>Investment Type</u>	<u>Amount</u>	Rating as of <u>Year End</u> Not <u>Rated</u>
Certificates of deposits	\$ 64,217	\$ 64,217

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have policies for custodial credit risk.

C. Interest Rate Risk

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

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

<u>Investment Type</u>	<u>Amount</u>	Investment Maturities <u>(in Years)</u> <u>1-5</u>
Certificates of deposit	\$ 64,217	\$ 64,217

5. Taxes Receivable

The Town bills property taxes semi-annually, in June and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied. Property taxes billed or collected in advance of the year for which they are levied, are recorded as a prepaid tax liability.

Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts

by paying the delinquent balance, recording costs, and accrued interest. The accounts that are liened by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

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

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Real estate taxes	\$ 921,056	\$ (92,114)	\$ 828,942
Tax liens	89,104	(8,911)	80,193
Total property taxes	<u>\$ 1,010,160</u>	<u>\$ (101,025)</u>	<u>\$ 909,135</u>

6. Capital Assets

Capital asset activity for the year ended December 31, 2017 was as follows (in thousands):

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:				
Capital assets, being depreciated:				
Buildings and improvements	\$ 741	\$ -	\$ -	\$ 741
Machinery, equipment, and furnishings	1,163	6	-	1,169
Infrastructure	552	107	-	659
Total capital assets, being depreciated	<u>2,456</u>	<u>113</u>	<u>-</u>	<u>2,569</u>
Less accumulated depreciation for:				
Buildings and improvements	(231)	(18)	-	(249)
Machinery, equipment, and furnishings	(915)	(60)	-	(975)
Infrastructure	(14)	(14)	-	(28)
Total accumulated depreciation	<u>(1,160)</u>	<u>(92)</u>	<u>-</u>	<u>(1,252)</u>
Total capital assets, being depreciated, net	1,296	21	-	1,317
Capital assets, not being depreciated:				
Land	597	-	-	597
Construction in progress	-	25	-	25
Total capital assets, not being depreciated	<u>597</u>	<u>25</u>	<u>-</u>	<u>622</u>
Governmental activities capital assets, net	<u>\$ 1,893</u>	<u>\$ 46</u>	<u>\$ -</u>	<u>\$ 1,939</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities:	
General government	\$ 17
Public safety	18
Public works	56
Culture and recreation	<u>1</u>
Total depreciation expense - governmental activities	<u>\$ 92</u>

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent 2017 expenditures paid after December 31, 2017.

8. Due to School District

The total school district assessments for the period July 1, 2017 through June 30, 2018 were \$2,504,629. The school district assessments are paid in monthly installments. As of December 31, 2017, a total of \$1,252,087 was paid, leaving a balance of \$1,252,542 to be paid through June 30, 2018.

9. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities:</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/17</u>
Caterpillar loader	08/24/18	2.50%	\$ 37,500
Truck	07/15/19	2.15%	53,418
Firefighter equipment	12/19/19	2.29%	<u>20,125</u>
Total Governmental Activities:			<u>\$ 111,043</u>

B. Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 75,709	\$ 2,530	\$ 78,239
2019	<u>35,334</u>	<u>582</u>	<u>35,916</u>
Total	<u>\$ 111,043</u>	<u>\$ 3,112</u>	<u>\$ 114,155</u>

C. Changes in General Long-Term Liabilities

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

	Total Balance <u>1/1/17</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>12/31/17</u>	Less Current <u>Portion</u>	Equals Long-Term <u>Portion</u> <u>12/31/17</u>
<u>Governmental Activities</u>						
Bonds payable	\$ 192,127	\$ -	\$ (81,084)	\$ 111,043	\$ (75,709)	\$ 35,334
Other:						
Compensated absences	<u>13,013</u>	<u>-</u>	<u>(1,694)</u>	<u>11,319</u>	<u>(566)</u>	<u>10,753</u>
Totals	<u>\$ 205,140</u>	<u>\$ -</u>	<u>\$ (82,778)</u>	<u>\$ 122,362</u>	<u>\$ (76,275)</u>	<u>\$ 46,087</u>

10. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

11. Governmental Funds - Balances

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

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

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

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

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund

encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, capital reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned - Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and surplus set aside to be used in the subsequent year's budget.

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

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 76,652	\$ 76,652
Total nonspendable	-	76,652	76,652
Restricted			
Special revenue funds	-	136,263	136,263
Expendable permanent funds	-	55,782	55,782
Total restricted	-	192,045	192,045
Committed			
Capital reserve funds	61,817	-	61,817
Total committed	61,817	-	61,817
Assigned			
Reserved for expenditures	37,332	-	37,332
Total assigned	37,332	-	37,332
Unassigned			
Total unassigned	451,810	-	451,810
Total fund balances	\$ 550,959	\$ 268,697	\$ 819,656

12. General Fund Unassigned Fund Balance

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

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

GAAP basis balance	\$ 451,810
Unavailable revenue	<u>220,752</u>
Statutory (UMAS) Balance	<u>\$ 672,562</u>