

TOWN OF AUBURN, NEW HAMPSHIRE

Financial Statements

December 31, 2018

and

Independent Auditor's Report

TOWN OF AUBURN, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2018

TABLE OF CONTENTS

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	
MANAGEMENT'S DISCUSSION AND ANALYSIS	i-vi
BASIC FINANCIAL STATEMENTS	
EXHIBITS:	
A Statement of Net Position	1
B Statement of Activities	2
C Balance Sheet – Governmental Funds	3
C-1 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4
D Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5
D-1 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
E Statement of Fiduciary Net Position – Fiduciary Funds	7
NOTES TO BASIC FINANCIAL STATEMENTS	8-28
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULES:	
1 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund	29
2 Schedule of Changes in the Town's Proportionate Share of the Net OPEB Liability	30
3 Schedule of Town OPEB Contributions	31
4 Schedule of Changes in the Town's Proportionate Share of the Net Pension Liability	32
5 Schedule of Town Pension Contributions	33
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	34-35
SUPPLEMENTAL SCHEDULES	
SCHEDULES:	
A Combining Balance Sheet – Governmental Funds – All Nonmajor Funds	36
B Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – All Nonmajor Funds	37

INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Auburn, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Auburn, New Hampshire (the Town), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 2 to the financial statements, management has not recorded a liability, deferred outflows of resources, or deferred inflows of resources for the Town's single employer other post-employment benefits plan in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other post-employment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, deferred outflows of resources, and deferred inflows of resources, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, deferred outflows of resources, deferred inflows of resources, net position, and expenses of the governmental activities is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly, the financial position of the governmental activities of the Town of Auburn, New Hampshire, as of December 31, 2018, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund and the aggregate remaining fund information of the Town of Auburn, New Hampshire, as of December 31, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the Town's proportionate share of the net OPEB liability, schedule of Town OPEB contributions, schedule of changes in the Town's proportionate share of the net pension liability, and schedule of Town pension contributions on pages i-vi and 29-35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Vachon Clukay & Company PC

Manchester, New Hampshire
October 21, 2019

Management's Discussion and Analysis

This narrative is provided as an overview and analysis of the financial activities of the Town of Auburn for the year ended December 31, 2018. It should be considered in conjunction with the Town's financial statements and footnotes following this section. The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Financial Highlights

- The assets of the Town of Auburn exceed its liabilities at December 31, 2018 by **\$12,704,499** (net position). The change in net position represents a **6.36% increase** from the prior year's net position of **\$11,944,564**. This is the fourth year reporting the net pension liability (GASB Statement #68) for the Town of Auburn. The amount of Auburn's net pension liability for 2018 is **\$2,790,670** which is **0.0580%** of the total of the New Hampshire Retirement Systems net pension liability. This liability increased by **\$97,961** which equates to a **3.638%** increase to the Town's net pension liability. Additionally, this is the Town's first year reporting its net OPEB liability (GASB Statement #75). The amount of Auburn's net OPEB liability is **\$329,041**, which is **0.0719%** of the total New Hampshire Retirement Systems net OPEB liability. Adopting and implementing GASB Statement #75 resulted in a restatement of beginning net position in the amount of **(\$192,129)**.
- As of the close of the current reporting year, the Town of Auburn reported a general fund balance of **\$2,572,080** which includes **\$49,192 in nonspendable**, **\$61,491 in restricted**, **\$162,980 in committed**, **\$227,887 in assigned** and **\$2,070,530 in unassigned fund balance**. General fund total expenditures for 2018 were **\$5,917,095**. There was a **decrease of \$26,029 (1.00%)** in the general fund balance from December 31, 2017 to December 31, 2018.
- The Town of Auburn lease obligations at year end were **\$447,554**. This shows a net increase of the Town's lease obligations by **\$149,952** from the prior year. This increase is due to scheduled payments on pre-existing lease obligations of **(\$91,935)** in addition to the Town executing new lease obligations for the purchase of a new Fire Truck and Police vehicles totaling **\$241,887**.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the financial statements of the Town of Auburn, which are comprised of three components:

- A. Government-wide financial statements
- B. Fund financial statements
- C. Notes to the financial statements

This report also contains miscellaneous supplementary information in addition to the basic financial statements.

- A. The **government-wide financial statements** are designed to provide the readers with a broad overview of the financial position of the Town of Auburn. They are similar to private sector financial statements and include the following:
 - 1. A *statement of net position* shows the Town's assets and deferred outflows of resources less its liabilities and deferred inflows of resources as of the end of the current reporting year. The difference is reported as net position. Over a period of time, this report is useful in determining whether or not the Town's financial position is improving or declining. Assets and liabilities are generally measured using current values with one major exception being capital assets, which are reported at historical cost less accumulated depreciation.
 - 2. A *statement of activities* shows how the Town's net position changed during the current reporting year. The statement includes all underlying events throughout the year, regardless of whether or not the Town's cash flow is influenced. In other words, revenues that are earned but not collected and expenses

that are incurred but not yet paid are reported in this statement and are presented in the form of receivables and payables as of the end of the current reporting year.

The governmental activities reported in the financials for the Town of Auburn include general government, public safety, highways and streets, health, welfare, culture and recreation, conservation, and economic development.

- B. **Fund financial statements:** A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the Town of Auburn can be divided into two categories: governmental and fiduciary.

Governmental funds: Governmental funds essentially account for the same functions reported in the government-wide statement of activities. Unlike the government-wide financial statements however, the governmental fund financial statements focus on near-term inflows and outflows. Governmental funds state the balance of expendable resources available at the end of the reporting year. The governmental fund financial statements give a closer view than the government-wide financial statements and may be useful in evaluating the Town's near-term financing requirements and available resources.

In comparing functions between the two sets of statements, readers may better understand the long-term impact of the Town'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 that can be used to facilitate a comparison between governmental funds and governmental activities of the whole government.

The Town of Auburn maintains four individual governmental funds. The operations of each fund are accounted for separately and are comprised of assets, liabilities, fund equity, revenues and expenditures. The various funds are reported by major fund, with the non-major funds being aggregated into a single column. Combining statements are presented later on in the report as supplementary information to show the aggregate of these funds. The basic governmental fund financial statements can be found on page 3 – 6 of this report.

An annual appropriated budget is adopted each year for the general fund. The budget to actual statement of revenues, expenditures and changes in fund balance for the general fund is included as required supplementary information on page 26.

Fiduciary Funds: Fiduciary funds are used to account for resources held or established under an agreement for the benefit of outside parties. Fiduciary funds are not reflected in the government-wide financial statements due to the fact that the resources are not available to support the Town's programs. The basic fiduciary fund financial statement can be found on page 7 of this report.

- C. **Notes to the financial statements:** The notes are intended to provide additional information that is essential in order for the reader to fully understand the data that is provided in both the government-wide financial statements and fund financial statements.

Government-wide Financial Analysis

As previously pointed out, the statement of net position report is useful in determining whether or not the Town's financial position is improving or declining. As also noted in the Financial Highlights section of this report, the Town of Auburn reported net position of **\$12,704,499** at the close of the report year ended December 31, 2018.

Of this amount, **93.5%** represents the Town's net investment in capital assets (land, building, machinery and equipment); less any related outstanding debt used to acquire them. While these capital assets are used to provide services to the citizens of Auburn, it is important to note that these assets are not available for future spending. Although the Town's capital assets are reported net of related debt, the resources needed to satisfy such debt must be provided from other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

Less than **2%** of the Town's net position represent resources that are restricted in use, and **\$619,003 (or 4.9%)** are in unrestricted net position that may be used to meet the on-going obligations to Auburn citizens and creditors.

At the year ended December 31, 2018 and 2017, the Town of Auburn is able to report:

Town of Auburn
Table 1 Statement of Net Position

	<u>2018</u>	<u>2017</u>	Change	% Change
Current assets	\$ 8,645,501	\$ 9,083,396	(437,895)	-4.8%
Capital assets, net	<u>12,328,143</u>	<u>11,515,403</u>	<u>812,740</u>	<u>7.1%</u>
Total Assets	<u>20,973,644</u>	<u>20,598,799</u>	<u>374,845</u>	<u>1.8%</u>
Deferred Outflows of Resources	<u>579,081</u>	<u>524,641</u>	<u>54,440</u>	<u>10.4%</u>
Long-term liabilities	3,746,394	3,538,905	207,489	5.9%
Other liabilities	<u>4,852,063</u>	<u>5,273,090</u>	<u>(421,027)</u>	<u>-8.0%</u>
Total Liabilities	<u>8,598,457</u>	<u>8,811,995</u>	<u>(213,538)</u>	<u>-2.4%</u>
Deferred Inflows of Resources	<u>249,769</u>	<u>366,881</u>	<u>(117,112)</u>	<u>-31.9%</u>
Net Position:				
Net investment in capital assets	11,880,589	11,217,801	662,788	5.9%
Restricted	204,907	262,768	(57,861)	-22.0%
Unrestricted	<u>619,003</u>	<u>463,995</u>	<u>155,008</u>	<u>33.4%</u>
Total Net Position	\$ <u>12,704,499</u>	\$ <u>11,944,564</u>	<u>759,935</u>	<u>6.4%</u>

During year 2018, the Town's net position increased by \$759,935 (6.4%).

Town of Auburn
Table 2 Statement of Activities

	<u>2018</u>	<u>2017</u>	<u>Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 194,852	\$ 240,916	\$ (46,064)
Operating grants and contributions	204,284	352,850	(148,566)
Capital grants and contributions			
General revenues:			
Taxes	3,247,091	3,155,796	91,295
Licenses and permits	1,880,206	1,791,876	88,330
Intergovernmental	281,411	277,995	3,416
Interest and investment earnings	47,439	21,976	25,463
Miscellaneous	24,259	10,951	13,308
Total Revenues	<u>5,879,542</u>	<u>5,852,360</u>	<u>27,182</u>
Program Expenses:			
General government	1,352,798	1,319,560	33,238
Public safety	2,108,933	1,889,075	219,858
Highways and streets	1,427,617	1,519,425	(91,808)
Sanitation	7,927	10,267	(2,340)
Health and welfare	39,281	49,560	(10,279)
Culture and recreation	334,058	293,050	41,008
Conservation	787	924	(137)
Total Expenses	<u>5,271,401</u>	<u>5,081,861</u>	<u>189,540</u>
Excess before loss on disposal of capital assets and special items	608,141	770,499	(162,358)
Gain on disposal of capital assets	141,994	135,249	6,745
Special item-Change in accrued landfill postclosure care cost estimate	9,800	(123,600)	133,400
Change in net position	759,935	782,148	\$ (22,213)
Net Position - beginning of the year	11,944,564	11,354,545	
Restatement due to implementation of GASB Statement No. 75		(192,129)	
Net Position - end of year	<u>\$ 12,704,499</u>	<u>\$ 11,944,564</u>	

Financial Analysis of Governmental Funds

The general fund is the central operating fund of the Town of Auburn. The focus of Auburn's governmental funds is to provide information on inflows, outflows and balances of expendable resources available for Town operations and services at the end of each reporting year.

At the end of the current reporting year, Auburn's governmental funds reported a combined ending fund balance of **\$3,603,357**. Of this combined fund balance, less than **5% (\$148,814)** is nonspendable, **3% (\$105,285)** is restricted, **29% (\$1,050,841)** is committed, and **6% (\$227,887)** is assigned, with a remaining balance of **57% (\$2,070,530)** in unassigned fund balance at year end.

As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to the total fund expenditures. The general fund expenditures and other financing uses for this reporting year totaled **\$5,917,095**. The general fund unassigned fund balance was **\$2,070,530** which represents **35%** of the total expenditures and other financing uses in the current year.

General Fund Budgetary Highlights

In the current reporting year, the Town of Auburn's general fund had a favorable variance in the estimated governmental activity revenue versus actual in the amount of **\$312,989**, **6%** more than estimated revenues. The majority of this favorable variance was in property taxes, licenses and permits, and charges for services.

The Town of Auburn's general fund had a favorable variance in appropriations versus actual expenditures in the amount of **\$82,651** or **1.5%** of appropriations. Most departments contributed to this favorable variance by keeping expenditures under appropriations.

Capital Asset and Debt Administration

The Town of Auburn's capital assets for its governmental type activities net of accumulated depreciation as of December 31, 2018 was **\$12,328,143**, an increase of **\$812,740** over the prior year.

At the end of the current reporting year, the Town of Auburn had **\$3,746,394** in long-term liabilities. Of this amount, capital leases for the purchase of fire trucks and police vehicles totaled **\$447,554**, **\$171,000** is for landfill closure and post closure cost, **\$143,245** is for accrued vacation time, **\$2,790,670** is for the net pension liability, and **\$329,041** is the recently added liability for OPEB.

Economic Factors and Next Year's Budget and Tax Rates

When creating the budget from year to year, the Town of Auburn's primary objective is to provide quality services to its citizens, at the same time attempting to keep the tax rate stable.

The Town of Auburn continues to be financially strong and again has seen growth in net property values. Net property values for 2018 are \$845,249,116 which is an increase of \$172,312,640 or 26% from the prior year. Some of this increase can be attributed to the statistical update completed in 2018, which did bring valuations closer to market. The equalization rate for 2018 is 99.6% (valuation near market value) where as last year the rate was 90.5% (valuation below market).

The Town continues to work under PILOT (payment in lieu of taxes) agreement with Manchester Water Works. The 2018 amount received marks the end of the reduction amounts. Future amounts will include a COLA increase each year. In 2011 Manchester Water Works revenue accounted for 35% of all revenue; in 2018 Manchester Water Works revenue accounted for less than 1% of all revenue. Although it is never a positive action to receive less in revenue, now Manchester Water Works has a lesser impact on the Town's finances.

In 2018 the Town did comply with a portion of GASB 75, but only for the NHRS portion of OPEB. The Town still remains in non-compliance with Town's OPEB cost, which is the implied amount of potential rate increases for current employee health insurance for allowing retirees on Town health care coverage. The amount not reported in the

financial statements is still believed to be minimal, as the Town does not pay towards retiree health insurance cost and only has two retirees on health care coverage. As the Town grows, this may not always be the true.

Additional Financial Information

The purpose of the financial report is to provide a general overview to all those who have an interest in the Town of Auburn's finances. Questions concerning any of the information provided within this report or requests for additional information can be addressed to the Finance Director, Town of Auburn, PO Box 309, Auburn, NH 03032.

EXHIBIT A
TOWN OF AUBURN, NEW HAMPSHIRE
Statement of Net Position
December 31, 2018

	Governmental Activities
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 6,560,911
Investments	1,560,350
Taxes receivable, net	423,010
Accounts receivable	18,137
Betterment taxes receivable	33,901
Prepaid expenses	49,192
Total Current Assets	<u>8,645,501</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	2,755,980
Depreciable capital assets, net	9,572,163
Total Noncurrent Assets	<u>12,328,143</u>
Total Assets	<u>20,973,644</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to OPEB	46,097
Deferred outflows of resources related to pensions	532,984
Total Deferred Outflows of Resources	<u>579,081</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	193,352
Accrued expenses	72,767
Due to other governments	4,086,095
Advances from grantors	5,641
Deposits	331,141
Current portion of capital leases payable	135,116
Current portion of compensated absences payable	18,951
Current portion of estimated liability for landfill postclosure care costs	9,000
Total Current Liabilities	<u>4,852,063</u>
Noncurrent Liabilities:	
Capital leases payable	312,438
Compensated absences payable	143,245
OPEB liability	329,041
Net pension liability	2,790,670
Estimated liability for landfill postclosure care costs	171,000
Total Noncurrent Liabilities	<u>3,746,394</u>
Total Liabilities	<u>8,598,457</u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes collected in advance	37,419
Deferred inflows of resources related to OPEB	1,045
Deferred inflows of resources related to pensions	211,305
Total Deferred Inflows of Resources	<u>249,769</u>
NET POSITION	
Net investment in capital assets	11,880,589
Restricted	204,907
Unrestricted	619,003
Total Net Position	<u>\$ 12,704,499</u>

See accompanying notes to the basic financial statements

EXHIBIT B
TOWN OF AUBURN, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2018

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		Net (Expense) Revenue and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	
Governmental Activities:				
General government	\$ 1,352,798	\$ 43,134		\$ (1,309,664)
Public safety	2,108,933	149,973	\$ 40,286	(1,918,674)
Highways and streets	1,427,617		163,998	(1,263,619)
Sanitation	7,927			(7,927)
Health and welfare	39,281			(39,281)
Culture and recreation	334,058	1,745		(332,313)
Conservation	787			(787)
Total governmental activities	<u>\$ 5,271,401</u>	<u>\$ 194,852</u>	<u>\$ 204,284</u>	<u>(4,872,265)</u>
General revenues:				
Property and other taxes				3,247,091
Licenses and permits				1,880,206
Grants and contributions:				
Rooms and meals tax distribution				281,411
Interest and investment earnings				47,439
Miscellaneous				24,259
Net gain on disposal of capital assets				141,994
Special item - Change in accrued landfill postclosure care costs estimate				<u>9,800</u>
Total general revenues, net gain on disposal of capital assets and special item				<u>5,632,200</u>
Change in net position				759,935
Net Position at beginning of year, as restated				<u>11,944,564</u>
Net Position at end of year				<u>\$ 12,704,499</u>

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF AUBURN, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2018

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 6,119,822	\$ 441,089	\$ 6,560,911
Investments	1,560,350		1,560,350
Taxes receivable, net	423,010		423,010
Accounts receivable		18,137	18,137
Betterment taxes receivable	33,901		33,901
Due from other funds	2,000	574,051	576,051
Prepaid expenses	49,192		49,192
Total Assets	<u>8,188,275</u>	<u>1,033,277</u>	<u>9,221,552</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 8,188,275</u>	<u>\$ 1,033,277</u>	<u>\$ 9,221,552</u>
LIABILITIES			
Accounts payable	\$ 193,352		\$ 193,352
Accrued expenses	61,363		61,363
Due to other governments	4,086,095		4,086,095
Due to other funds	905,192	\$ 2,000	907,192
Advances from grantors	5,641		5,641
Total Liabilities	<u>5,251,643</u>	<u>2,000</u>	<u>5,253,643</u>
DEFERRED INFLOWS OF RESOURCES			
Uncollected property taxes	295,065		295,065
Property taxes collected in advance	37,419		37,419
Uncollected betterment taxes	32,068		32,068
Total Deferred Inflows of Resources	<u>364,552</u>	<u>-</u>	<u>364,552</u>
FUND BALANCES			
Nonspendable	49,192	99,622	148,814
Restricted	61,491	43,794	105,285
Committed	162,980	887,861	1,050,841
Assigned	227,887		227,887
Unassigned	2,070,530		2,070,530
Total Fund Balances	<u>2,572,080</u>	<u>1,031,277</u>	<u>3,603,357</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 8,188,275</u>	<u>\$ 1,033,277</u>	<u>\$ 9,221,552</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1
TOWN OF AUBURN, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2018

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 3,603,357
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.	12,328,143
Taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis.	327,133
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds.	
Deferred outflows of resources related to OPEB liability	46,097
Deferred outflows of resources related to net pension liability	532,984
Deferred inflows of resources related to OPEB liability	(1,045)
Deferred inflows of resources related to net pension liability	(211,305)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
Capital leases payable	(447,554)
Accrued interest on long-term obligations	(11,404)
Compensated absences payable	(162,196)
OPEB liability	(329,041)
Net pension liability	(2,790,670)
Estimated liability for landfill postclosure care costs	<u>(180,000)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 12,704,499</u>

See accompanying notes to the basic financial statements

EXHIBIT D
TOWN OF AUBURN, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2018

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Taxes	\$ 2,996,359	\$ 228,000	\$ 3,224,359
Licenses and permits	1,880,206		1,880,206
Intergovernmental	485,695		485,695
Charges for services	68,046	126,806	194,852
Interest and investment income	43,773	3,666	47,439
Miscellaneous	13,049	11,210	24,259
Total Revenues	<u>5,487,128</u>	<u>369,682</u>	<u>5,856,810</u>
Expenditures:			
Current operations:			
General government	1,333,225		1,333,225
Public safety	1,848,593	108,631	1,957,224
Highways and streets	1,017,942		1,017,942
Sanitation	18,127		18,127
Health and welfare	39,281		39,281
Culture and recreation	275,555	10,089	285,644
Conservation	787		787
Capital outlay	<u>1,383,585</u>		<u>1,383,585</u>
Total Expenditures	<u>5,917,095</u>	<u>118,720</u>	<u>6,035,815</u>
Excess revenues over (under) expenditures	<u>(429,967)</u>	<u>250,962</u>	<u>(179,005)</u>
Other financing sources (uses):			
Proceeds from sale of Town property	154,495		154,495
Proceeds from capital lease obligations	241,887		241,887
Transfers in	7,556		7,556
Transfers out		(7,556)	(7,556)
Total other financing sources (uses)	<u>403,938</u>	<u>(7,556)</u>	<u>396,382</u>
Net change in fund balances	(26,029)	243,406	217,377
Fund balances at beginning of year	<u>2,598,109</u>	<u>787,871</u>	<u>3,385,980</u>
Fund balances at end of year	<u>\$ 2,572,080</u>	<u>\$ 1,031,277</u>	<u>\$ 3,603,357</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1
TOWN OF AUBURN, 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, 2018

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ 217,377
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	825,241
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	22,732
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the net gain on the disposals of capital assets reduced by the actual proceeds received from the disposal.	(12,501)
Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	91,935
Proceeds from capital leases are reported as other financing sources in the governmental funds, but capital lease issuances increase long-term liabilities in the statement of net position.	(241,887)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds, an interest expenditure is reported when due.	(4,323)
Some expenses reported in the statement of activities, such as compensated absences and estimated landfill postclosure care costs, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	4,087
Governmental funds report OPEB and pension contributions as expenditures. However, in the statement of activities, OPEB and pension expense reflects the change in the OPEB liability and net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which OPEB and pension expense differed from OPEB and pension contributions in the current period.	
Net changes in OPEB	(91,860)
Net changes in pension	(50,866)
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 759,935</u>

See accompanying notes to the basic financial statements

EXHIBIT E
TOWN OF AUBURN, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2018

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 285,530
Due from other funds	<u>331,141</u>
Total Assets	<u><u>\$ 616,671</u></u>
LIABILITIES	
Accounts payable	\$ 29,690
Due to other governments	285,530
Deposits	<u>301,451</u>
Total Liabilities	<u><u>\$ 616,671</u></u>

See accompanying notes to the basic financial statements

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2018

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The Town of Auburn, New Hampshire (the Town) was incorporated in 1845. The Town operates under the Town Meeting/Board of Selectmen form of government and performs local governmental functions authorized by State law.

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

Basis of Presentation

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

1. Government-Wide Financial Statements:

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

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

2. Fund Financial Statements:

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

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2018

Fund Accounting

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

1. Governmental Funds:

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

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

2. Fiduciary Funds:

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

Measurement Focus

1. Government-Wide Financial Statements:

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

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2018

Basis of Accounting

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

1. Revenues – Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 12). Revenue from grants, entitlements, and donations, are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

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

2. Expenses/Expenditures:

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

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2018

Budgetary Data

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

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2018, the Town did not apply any of its unappropriated fund balance to reduce taxes.

Investments

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

Taxes Receivable

Taxes levied during the current year and prior and uncollected at December 31, 2018 are recorded as receivables net of a reserve for estimated uncollectible taxes of \$30,000.

Betterment Taxes Receivable

Betterment assessment taxes charged to certain residents for waterline replacement during the current and prior years that will be collected in future periods are recorded as receivables and deferred inflows of resources in the governmental fund financial statements. The revenue is recognized when earned in the government-wide financial statements.

Capital Assets

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

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their fair values as of the date received. The Town maintains a capitalization threshold of \$5,000. The Town is not required to retroactively report its general infrastructure. The Town's infrastructure consists of roads and similar items. Infrastructure records have been maintained effective January 1, 2004 and are included in these financial statements. Intangible assets of the Town consist of land easements and software (other intangible assets). Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land, land easements and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2018

<u>Description</u>	<u>Years</u>
Land improvements	10
Buildings and improvements	10-25
Machinery, vehicles and equipment	4-10
Other intangible assets	5
Infrastructure	25

Compensated Absences

Employees can accumulate earned time as they provide services. Dependent upon the years of service, employees accrue earned time at a rate of eleven to twenty-six days per year. Pursuant to Town personnel policy and certain union agreements, upon voluntary separation of employment from the Town, employees shall be compensated for unused earned time (subject to certain maximum limitations) at current rates of pay.

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

Accrued Liabilities and Long-Term Obligations

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) OPEB Plan and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, NHRS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for non-registered commingled funds valued at net asset value (NAV) as a practical expedient to estimate fair value.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms.

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2018

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

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

Fund Balance Policy

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

- *Nonspendable Fund Balance*: Amounts that are not in a spendable form or are required to be maintained intact.
- *Restricted Fund Balance*: Includes funds legally restricted for specific purposes stipulated by external resource providers or through enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or through enabling legislation.
- *Committed Fund Balance*: Includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision making authority (the Annual Town Meeting). Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. The governing body's actions must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.
- *Assigned Fund Balance*: Amounts the Town intends to use for specific purposes. For all governmental funds other than the General Fund, any remaining positive fund balance is to be classified as "Assigned". All appropriations shall lapse at the end of the fiscal year unless authorized with the provision of RSA 32:7.
- *Unassigned Fund Balance*: Amounts that are not obligated or specifically designated for a specified use and are available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit balance of another governmental fund is also classified as "Unassigned".

Spending Prioritizations

In circumstances where expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts then unassigned amounts.

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2018

Deficit Fund Balance

At year end, if any of the special revenue funds have a deficit unassigned fund balance, the Selectmen are authorized to transfer funds from the General Fund to cover the deficit, providing the General Fund has enough resources to do so. The Town will follow the provisions of the State Municipal Budget Law in emergency situations which may cause an over expenditure of total appropriations.

Minimum Level of Unassigned Fund Balance

As recommended by the NH Department of Revenue Administration, the Town will strive to maintain an unassigned fund balance in the General Fund equal to 8-17% of the total annual appropriations or 5-15% of regular General Fund operating revenue. The Selectmen have the authority to apply unassigned fund balance in order to balance the budget and reduce property tax rates.

Interfund Activity

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

Estimates

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

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Town did not implement the provisions of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as it pertains to its single employer OPEB plan. Statement 75 requires governments to account for certain other postemployment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The provisions of GASB 75 were required to be implemented by the Town during the year ended December 31, 2018. The Town has only implemented the provisions of GASB Statement 75 as it pertains to its cost-sharing multiple-employer defined benefit OPEB plan (see Note 6).

NOTE 3—DEPOSITS AND INVESTMENTS

Deposits and investments as of December 31, 2018 are classified in the accompanying financial statements as follows:

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2018

Statement of Net Position:	
Cash and cash equivalents	\$ 6,560,911
Investments	1,560,350
Statement of Fiduciary Net Position:	
Cash and cash equivalents	285,530
	<u>\$ 8,406,791</u>

Deposits and investments at December 31, 2018 consist of the following:

Cash on hand	\$ 5,225
Deposits with financial institutions	6,841,216
Investments	1,560,350
	<u>\$ 8,406,791</u>

The Town's investment policy for governmental funds requires that deposits be made in the New Hampshire Public Deposit Investment Pool (NHPDIP), federally insured banks chartered under the laws of the State of New Hampshire or the federal government with a branch within the State of New Hampshire. Funds may be deposited in federally insured banks outside the state if such banks pledge and deliver to a third-party custodial bank or the federal reserve bank collateral security for such deposits. The Town limits its investments for governmental funds to the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool in accordance with New Hampshire State law, and federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the State to the following investment types: money market accounts, certificates of deposit, repurchase agreements collateralized by U.S. Government Securities, all other types of interest bearing accounts, or U.S. Government notes and obligations fully guaranteed as to principal and interest by the United States government.

Responsibility for the investments of the trust funds is with the Board of Trustees. Investments of the library funds are at the discretion of the Library Trustees.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town's investment policy for managing credit risk is based on the prudent person principal to ensure capital preservation and protection of investment principal while maintaining sufficient liquidity and seeking market-average rate of return.

As of December 31, 2018, the Town's investment in the NHPDIP, a state investment pool, of \$1,560,350 was rated AAAM.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. For assurance against custodial credit risk, the Town's investment policy requires that all investment and depository instruments be secured by

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2018

collateral having a market value at least equal to 102% of the amount deposited above the FDIC limits. Such collateral shall be held by a third-party custodian and segregated for the exclusive benefit of the Town.

Of the Town's deposits with financial institutions at year end, \$6,296,435 was collateralized by securities held by Bank of New York Mellon with the Town as beneficiary.

Investment in NHPDIP

The Town is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by state law and is administered by a public body of state, local and banking officials. Financial statements for the NHPDIP can be accessed through the NHPDIP's website at www.NHPDIP.com.

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

NOTE 4—CAPITAL ASSETS

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

	Balance 01/01/2018	Additions	Reductions	Balance 12/31/2018
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 712,179	\$ 197,879	\$ (1,327)	\$ 908,731
Land easements	1,334,788			1,334,788
Construction in progress	955,146	356,354	(799,039)	512,461
Total capital assets not being depreciated	3,002,113	554,233	(800,366)	2,755,980
Other capital assets:				
Land improvements	795,456	55,773		851,229
Buildings and improvements	1,893,273	81,184		1,974,457
Machinery, vehicles and equipment	2,735,483	146,100	(88,335)	2,793,248
Other intangible assets	29,072			29,072
Infrastructure	9,151,023	1,394,541		10,545,564
Total other capital assets at historical cost	14,604,307	1,677,598	(88,335)	16,193,570
Less accumulated depreciation for:				
Land improvements	(680,385)	(9,205)		(689,590)
Buildings and improvements	(1,540,688)	(49,880)		(1,590,568)
Machinery, vehicles and equipment	(1,392,261)	(148,752)	77,161	(1,463,852)
Other intangible assets	(26,165)			(26,165)
Infrastructure	(2,451,518)	(399,714)		(2,851,232)
Total accumulated depreciation	(6,091,017)	(607,551)	77,161	(6,621,407)
Total other capital assets, net	8,513,290	1,070,047	(11,174)	9,572,163
Total capital assets, net	\$ 11,515,403	\$ 1,624,280	\$ (811,540)	\$ 12,328,143

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2018

Depreciation expense was charged to governmental functions as follows:

General government	\$ 39,082
Public safety	137,917
Highways and streets	404,323
Culture and recreation	26,229
Total governmental activities depreciation expense	<u>\$ 607,551</u>

The balance of assets acquired through capital lease issuances as of December 31, 2018 is as follows:

Machinery, vehicles and equipment	\$ 1,052,714
Less: Accumulated depreciation	(149,825)
	<u>\$ 902,889</u>

NOTE 5—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town's long-term obligations for the year ended December 31, 2018 are as follows:

	Balance 01/01/2018	Additions	Reductions	Balance 12/31/2018	Due Within One Year
Governmental activities:					
Capital leases payable	\$ 297,602	\$ 241,887	\$ (91,935)	\$ 447,554	\$ 135,116
Compensated absences payable	146,283	26,923	(11,010)	162,196	18,951
	<u>\$ 443,885</u>	<u>\$ 268,810</u>	<u>\$ (102,945)</u>	<u>\$ 609,750</u>	<u>\$ 154,067</u>

Payments on the capital leases payable are paid out of the General Fund. Compensated absences will be paid from the fund where the employee's salary is paid.

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable functions.

The following are the individual capital lease obligations outstanding at December 31, 2018:

Fire department apparatus, due in annual installments of \$72,696, including interest at 2.99%, through April 2021	\$ 205,667
Police department vehicles, due in annual installments of \$30,831, including interest at 6.95%, through March 2019	28,828
Fire department apparatus, due in annual installments of \$48,213, including interest at 3.94%, through March 2023	<u>213,059</u>
	<u>\$ 447,554</u>

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2018

Debt service requirements to retire capital lease obligations outstanding at December 31, 2018 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2019	\$ 135,116	\$ 16,624	\$ 151,740
2020	109,844	11,065	120,909
2021	113,521	7,388	120,909
2022	44,628	3,585	48,213
2023	44,445	1,828	46,273
	<u>\$ 447,554</u>	<u>\$ 40,490</u>	<u>\$ 488,044</u>

NOTE 6—OTHER POST EMPLOYMENT BENEFITS

Plan Description

The New Hampshire Retirement System (NHRS) administers a cost-sharing multiple-employer other postemployment benefit plan (OPEB Plan). The OPEB Plan provides a medical insurance subsidy to qualified retired members.

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

The OPEB Plan is divided into four membership types. Political subdivision employees, teachers and State employees belong to Group I. Police officers and firefighters belong to Group II. The OPEB plan is closed to new entrants.

Benefits Provided

Benefit amounts and eligibility requirements for the OPEB Plan are set by state law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. Medical subsidy rates established by RSA 100-A:52 II are dependent upon whether retirees are eligible for Medicare. Retirees not eligible for Medicare may receive a maximum medical subsidy of \$375.56 for a single person plan and \$751.12 for a two-person plan. Retirees eligible for Medicare may receive a maximum medical subsidy of \$236.84 for a single person plan and \$473.68 for a two-person plan.

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2018

Funding Policy

Per RSA-100:16, contribution rates are established and may be amended by the New Hampshire State legislature and are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's contribution rates for the covered payroll of general employees, police officers, and firefighters were 0.30%, 4.10%, and 4.10%, respectively, for the year ended December 31, 2018. Contributions to the OPEB plan for the Town were \$33,269 for the year ended December 31, 2018. Employees are not required to contribute to the OPEB plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2018, the Town reported a liability of \$329,041 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by a roll forward of the actuarial valuation from June 30, 2017. The Town's proportion of the net OPEB liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2018, the Town's proportion was approximately 0.0719 percent, which was an increase of 0.0277 percentage points from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Town recognized OPEB expense of \$125,129. At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 1,931	
Net difference between projected and actual earnings on OPEB plan investments		\$ 1,045
Changes in proportion and differences between Town contributions and proportionate share of contributions	26,879	
Town contributions subsequent to the measurement date	17,287	
Totals	<u>\$ 46,097</u>	<u>\$ 1,045</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as an increase to unrestricted net position in the amount of \$45,052. The Town reported \$17,287 as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net OPEB liability in the measurement period ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the measurement periods as follows:

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2018

<u>June 30,</u>	
2019	\$ 28,484
2020	(326)
2021	(326)
2022	(67)
	<u>\$ 27,765</u>

Actuarial Assumptions

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

Inflation	2.5 percent
Wage inflation	3.25 percent
Salary increases	5.6 percent, average, including inflation
Investment rate of return	7.25 percent, net of OPEB plan investment expense, including inflation

Mortality rates were based on the RP-2014 healthy annuitant and employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Fixed income	25%	(0.25)-1.80%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.50-6.00%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.25%
Opportunistic	5%	2.15%
Total	<u>100%</u>	

The discount rate used to measure the collective total OPEB liability as of June 30, 2018 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2018

RSA 100-A:16. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the Town's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease (6.25%)	Current Discount rate (7.25%)	1% Increase (8.25%)
Net OPEB Liability	\$ 342,467	\$ 329,041	\$ 291,431

NOTE 7—DEFINED BENEFIT PENSION PLAN

Plan Description

The Town contributes to the New Hampshire Retirement System (NHRS), a public employee retirement system that administers a single cost-sharing multiple-employer defined benefit pension plan. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature.

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

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

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

Benefits Provided

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

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2018

Group II members vested by January 1, 2012, who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have not attained status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the benefit commencement date precedes the month after which the member attains 52.5 years of age by 1/4 of 1%. For Group II members who commenced service prior to July 1, 2011, who have not attained vested status prior to January 1, 2012, benefits are calculated depending on age and years of creditable service as follows:

Years of Creditable Service as of <u>January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum Service</u>	<u>Benefit Multiplier</u>
At least 3 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

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

Funding Policy

Covered police officers and fire employees are required to contribute 11.55% and 11.80%, respectively, of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers, fire employees, and general employees were 25.33%, 27.79%, and 11.08%, respectively, for the year ended December 31, 2018. The Town contributed 100% of the employer cost for public safety and general employees of the Town.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's contributions to the NHRS for the year ended December 31, 2018 were \$254,554.

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

At December 31, 2018, the Town reported a liability of \$2,790,670 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2017. The Town's proportion of the net pension liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2018, the Town's proportion was approximately 0.0580 percent, which

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2018

was a increase of approximately 0.0032 percentage points from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Town recognized pension expense of \$305,422. At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 22,275	\$ 22,596
Change in assumptions	193,128	
Net difference between projected and actual earnings on pension plan investments		64,579
Changes in proportion and differences between Town contributions and share of contributions	186,015	124,130
Town contributions subsequent to the measurement date	131,566	
Totals	<u>\$ 532,984</u>	<u>\$ 211,305</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$321,679. The Town reported \$131,566 as deferred outflows of resources related to pension resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2019. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized as pension expense in the measurement periods as follows:

<u>June 30</u>	
2019	\$ 139,900
2020	102,245
2021	(64,777)
2022	12,745
	<u>\$ 190,113</u>

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2018

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2017, using the following actuarial assumptions:

Inflation	2.5 percent
Wage inflation	3.25 percent
Salary increases	5.6 percent, average, including inflation
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2017 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Fixed income	25%	(0.25)-1.80%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.50-6.00%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.25%
Opportunistic	5%	2.15%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer contributions are projected based on the expected payroll of current members only. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the collective pension liability.

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2018

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease (6.25%)	Discount rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of the net pension liability	\$ 3,713,010	\$ 2,790,670	\$ 2,017,722

NOTE 8—LANDFILL POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. An estimated liability has been recorded based on the future postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of \$180,000 as of December 31, 2018. The Town's landfill was capped during the year ending December 31, 1999. The estimated total current cost of the landfill postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of December 31, 2018. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The remaining post-closure care costs are expected to be financed through annual taxation.

The following is a summary of changes in the estimated liability for postclosure care costs for the year ended December 31, 2018:

Balance - January 1, 2018	\$ 200,000
Expenditures recognized in the General Fund	(10,200)
Change in estimated liability	<u>(9,800)</u>
Balance - December 31, 2018	<u>\$ 180,000</u>

NOTE 9—INTERFUND BALANCES AND TRANSFERS

The Town has combined the cash resources of its governmental and fiduciary funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at December 31, 2018 are as follows:

	General Fund	Due from Nonmajor Governmental Funds		Totals
Due to:				
General Fund		\$ 2,000		\$ 2,000
Nonmajor Governmental Funds	\$ 574,051			574,051
Fiduciary Funds	<u>331,141</u>			<u>331,141</u>
	<u>\$ 905,192</u>	<u>\$ 2,000</u>		<u>\$ 907,192</u>

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2018

During the year, several interfund transactions occurred between funds. The various transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended December 31, 2018 are as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 7,556	
Nonmajor Governmental Funds:		\$ 7,556
Permanent Funds		
	<u>\$ 7,556</u>	<u>\$ 7,556</u>

NOTE 10—RESTRICTED NET POSITION

Net position is restricted for specific purposes at December 31, 2018 as follows:

Permanent Funds - Principal	\$ 99,622
Permanent Funds - Income	43,794
Library funds	61,491
	<u>\$ 204,907</u>

NOTE 11—COMPONENTS OF FUND BALANCE

The components of the Town's fund balance for its governmental funds at December 31, 2018 are as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepaid expenses	\$ 49,192		\$ 49,192
Permanent funds - Principal		\$ 99,622	99,622
Restricted for:			
Library funds	61,491		61,491
Permanent funds - Income		43,794	43,794
Committed for:			
Expendable trusts	141,975		141,975
Auburn development authority	21,005		21,005
Conservation		711,996	711,996
Police details		174,744	174,744
Recreation revolving fund		1,121	1,121
Assigned for:			
Designated to offset subsequent year appropriations	110,000		110,000
Encumbrances	117,887		117,887
Unassigned:			
Unassigned - General operations	2,070,530		2,070,530
	<u>\$ 2,572,080</u>	<u>\$ 1,031,277</u>	<u>\$ 3,603,357</u>

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2018

NOTE 12—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$845,294,116 as of April 1, 2018) and are due in two installments on July 2, 2018 and December 10, 2018. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

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

In accordance with State law, the Town collects taxes for the Auburn School District and Rockingham County, both independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$10,786,095 and \$768,316, for the Auburn School District and Rockingham County, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes. At December 31, 2018, the balance of the property tax appropriation due to the Auburn School District is \$4,086,095 and has been reported as 'Due to other governments' in these financial statements.

NOTE 13—RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2018, the Town was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2018.

Property and Liability Insurance

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

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2018

Worker's Compensation

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

NOTE 14—CONTINGENCIES

Litigation

There may be various claims and suits pending against the Town, which arise in the normal course of the Town's activities. In the opinion of Town management, any potential claims against the Town which are not covered by insurance are immaterial and would not affect the financial position of the Town.

NOTE 15—RESTATEMENT OF NET POSTION

During the year ended December 31, 2018, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as it pertains to the cost-sharing multiple employer defined benefit OPEB plan. In addition, it was determined that land easements, a component of non-depreciable capital assets, were understated. The impact on net position as of January 1, 2018 is as follows:

Net Position - January 1, 2018 (as previously reported)	\$ 11,288,493
Amount of restatement due to:	
Understatement of non-depreciable capital assets	848,200
Deferred outflows related to OPEB	15,807
OPEB liability	(202,311)
Deferred inflows related to OPEB	(5,625)
Net Position - January 1, 2018, as restated	<u>\$ 11,944,564</u>

SCHEDULE 1
TOWN OF AUBURN, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended December 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 2,847,525	\$ 2,847,525	\$ 3,023,672	\$ 176,147
Licenses and permits	1,820,000	1,820,000	1,880,206	60,206
Intergovernmental	450,501	450,501	485,695	35,194
Charges for services	55,000	55,000	68,046	13,046
Interest income	20,000	20,000	41,796	21,796
Miscellaneous			6,600	6,600
Total Revenues	<u>5,193,026</u>	<u>5,193,026</u>	<u>5,506,015</u>	<u>312,989</u>
Expenditures:				
Current operations:				
General government	1,428,745	1,428,745	1,310,225	118,520
Public safety	1,803,871	1,803,871	1,819,765	(15,894)
Highways and streets	960,934	960,934	1,017,734	(56,800)
Sanitation	18,800	18,800	18,127	673
Health and welfare	52,902	52,902	39,281	13,621
Culture and recreation	118,021	118,021	115,170	2,851
Conservation	2,351	2,351	787	1,564
Capital outlay	1,145,344	1,145,344	1,127,231	18,113
Debt service:				
Principal retirement	1	1	-	1
Interest and fiscal charges	2	2	-	2
Total Expenditures	<u>5,530,971</u>	<u>5,530,971</u>	<u>5,448,320</u>	<u>82,651</u>
Excess revenues over (under) expenditures	<u>(337,945)</u>	<u>(337,945)</u>	<u>57,695</u>	<u>395,640</u>
Other financing sources (uses):				
Proceeds from sale of Town property	150,000	150,000	154,495	4,495
Transfers in			7,544	7,544
Transfers out	<u>(169,272)</u>	<u>(169,272)</u>	<u>(159,465)</u>	<u>9,807</u>
Total other financing sources (uses)	<u>(19,272)</u>	<u>(19,272)</u>	<u>2,574</u>	<u>21,846</u>
Net change in fund balance	(357,217)	(357,217)	60,269	417,486
Fund balance at beginning of year				
- Budgetary Basis	<u>2,485,523</u>	<u>2,485,523</u>	<u>2,485,523</u>	<u>-</u>
Fund balance at end of year				
- Budgetary Basis	<u>\$ 2,128,306</u>	<u>\$ 2,128,306</u>	<u>\$ 2,545,792</u>	<u>\$ 417,486</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

TOWN OF AUBURN, NEW HAMPSHIRE

Schedule of Changes in the Town's Proportionate Share of the Net OPEB Liability
For the Year Ended December 31, 2018

Measurement Period Ended	Cost-Sharing Multiple Employer Plan Information Only				
	Town's Proportion of the Net OPEB Liability	Town's Proportionate Share of the Net OPEB Liability	Town's Covered Payroll	Town's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
June 30, 2018	0.07186720%	\$ 329,041	\$ 1,235,569	26.63%	7.53%
June 30, 2017	0.04424661%	\$ 202,311	\$ 1,126,540	17.96%	7.91%
June 30, 2016	0.04767485%	\$ 230,796	\$ 1,205,000	19.15%	5.21%

See accompanying notes to the required supplementary information

SCHEDULE 3
TOWN OF AUBURN, NEW HAMPSHIRE
Schedule of Town OPEB Contributions
For the Year Ended December 31, 2018

Cost-Sharing Multiple Employer Plan Information Only					
<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Town's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2018	\$ 33,269	\$ (33,269)	\$ -	\$ 1,275,653	2.61%
December 31, 2017	\$ 29,094	\$ (29,094)	\$ -	\$ 1,184,358	2.46%
December 31, 2016	\$ 25,783	\$ (25,783)	\$ -	\$ 1,176,040	2.19%

See accompanying notes to the required supplementary information

SCHEDULE 4

TOWN OF AUBURN, NEW HAMPSHIRE

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

For the Year Ended December 31, 2018

<u>Measurement Period Ended</u>	<u>Town's Proportion of the Net Pension Liability</u>	<u>Town's Proportionate Share of the Net Pension Liability</u>	<u>Town's Covered Payroll</u>	<u>Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2018	0.05795541%	\$ 2,790,670	\$ 1,235,569	225.86%	64.73%
June 30, 2017	0.05475219%	\$ 2,692,709	\$ 1,126,540	239.02%	62.66%
June 30, 2016	0.05948072%	\$ 3,162,944	\$ 1,205,000	262.48%	58.30%
June 30, 2015	0.05624891%	\$ 2,228,316	\$ 1,136,841	196.01%	65.47%
June 30, 2014	0.05487400%	\$ 2,059,870	\$ 1,070,004	192.51%	66.32%
June 30, 2013	0.05461320%	\$ 2,350,434	\$ 1,050,130	223.82%	59.81%

See accompanying notes to the required supplementary information

SCHEDULE 5

TOWN OF AUBURN, NEW HAMPSHIRE

Schedule of Town Pension Contributions

For the Year Ended December 31, 2018

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Town's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2018	\$ 254,554	\$ (254,554)	\$ -	\$ 1,275,653	19.95%
December 31, 2017	\$ 223,326	\$ (223,326)	\$ -	\$ 1,184,358	18.86%
December 31, 2016	\$ 207,322	\$ (207,322)	\$ -	\$ 1,176,040	17.63%
December 31, 2015	\$ 197,818	\$ (197,818)	\$ -	\$ 1,155,134	17.13%
December 31, 2014	\$ 182,148	\$ (182,148)	\$ -	\$ 1,093,806	16.65%
December 31, 2013	\$ 154,765	\$ (154,765)	\$ -	\$ 1,047,696	14.77%

See accompanying notes to the required supplementary information

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2018

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

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

	Revenues and Other Financing Sources	Expenditures and Other Financing Uses
Per Exhibit D	\$ 5,891,066	\$ 5,917,095
Difference in property taxes meeting susceptible to accrual criteria	27,313	
Non-budgetary revenues and expenditures	(8,426)	(219,540)
Non-budgetary transfers in	(12)	
Budgetary transfers out		159,465
Encumbrances - December 31, 2018		117,887
Encumbrances - December 31, 2017		(125,235)
Proceeds from capital lease obligations	(241,887)	(241,887)
Per Schedule 1	<u>\$ 5,668,054</u>	<u>\$ 5,607,785</u>

NOTE 2—BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at December 31, 2018 are as follows:

<i>Nonspendable:</i>	
Prepaid expenses	\$ 49,192
<i>Committed for:</i>	
Auburn development authority	21,005
<i>Assigned for:</i>	
Designated to offset subsequent year appropriations	110,000
<i>Unassigned:</i>	
Unassigned - General operations	<u>2,365,595</u>
	<u>\$ 2,545,792</u>

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
For the Year Ended December 31, 2018

NOTE 3—SCHEDULE OF CHANGES IN THE TOWN'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND SCHEDULE OF TOWN OPEB CONTRIBUTIONS

In accordance with GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the Town is required to disclose historical information for each of the prior ten years within a schedule of changes in the Town's proportionate share of the net OPEB liability and schedule of Town OPEB contributions. The Town implemented the provisions of GASB Statement #75 during the year ended December 31, 2018. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as additional information becomes available.

NOTE 4—SCHEDULE OF CHANGES IN THE TOWN'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF TOWN PENSION CONTRIBUTIONS

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

Changes in Actuarial Assumptions

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

SCHEDULE A
TOWN OF AUBURN, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2018

	Special Revenue Funds				
	Conservation Fund	Police Detail Fund	Recreation Revolving Fund	Total Special Revenue Funds	Combining Totals
ASSETS					
Cash and cash equivalents	\$ 295,673			\$ 295,673	\$ 441,089
Accounts receivable		\$ 18,137		18,137	18,137
Due from other funds	416,323	156,607	\$ 1,121	574,051	574,051
Total Assets	<u>711,996</u>	<u>174,744</u>	<u>1,121</u>	<u>887,861</u>	<u>1,033,277</u>
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 711,996</u>	<u>\$ 174,744</u>	<u>\$ 1,121</u>	<u>\$ 887,861</u>	<u>\$ 1,033,277</u>
LIABILITIES					
Due to other funds					\$ 2,000
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>2,000</u>
DEFERRED INFLOWS OF RESOURCES					
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable				-	99,622
Restricted				-	43,794
Committed	711,996	174,744	1,121	887,861	887,861
Total Fund Balances	<u>711,996</u>	<u>174,744</u>	<u>1,121</u>	<u>887,861</u>	<u>1,031,277</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 711,996</u>	<u>\$ 174,744</u>	<u>\$ 1,121</u>	<u>\$ 887,861</u>	<u>\$ 1,033,277</u>

SCHEDULE B
TOWN OF AUBURN, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Funds
For the Year Ended December 31, 2018

	Special Revenue Funds				
	Conservation Fund	Police Detail Fund	Recreation Revolving Fund	Total Special Revenue Funds	Combining Totals
Revenues:					
Taxes	\$ 228,000			\$ 228,000	\$ 228,000
Charges for services		\$ 126,806		126,806	126,806
Interest and investment income	2,342			2,342	3,666
Miscellaneous			\$ 11,210	11,210	11,210
Total Revenues	<u>230,342</u>	<u>126,806</u>	<u>11,210</u>	<u>368,358</u>	<u>369,682</u>
Expenditures:					
Current operations:					
Public safety		108,631		108,631	108,631
Culture and recreation			10,089	10,089	10,089
Total Expenditures	<u>-</u>	<u>108,631</u>	<u>10,089</u>	<u>118,720</u>	<u>118,720</u>
Excess revenues over expenditures	<u>230,342</u>	<u>18,175</u>	<u>1,121</u>	<u>249,638</u>	<u>250,962</u>
Other financing (uses):					
Transfers out				-	(7,556)
Total other financing (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(7,556)</u>
Net change in fund balances	230,342	18,175	1,121	249,638	(6,232)
Fund balances at beginning of year	<u>481,654</u>	<u>156,569</u>	<u>-</u>	<u>638,223</u>	<u>787,871</u>
Fund balances at end of year	<u>\$ 711,996</u>	<u>\$ 174,744</u>	<u>\$ 1,121</u>	<u>\$ 887,861</u>	<u>\$ 1,031,277</u>