

**TOWN OF GRANTHAM,  
NEW HAMPSHIRE**

**ANNUAL FINANCIAL REPORT**

**AS OF AND FOR THE FISCAL YEAR ENDED  
JUNE 30, 2017**

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**ANNUAL FINANCIAL REPORT**  
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**JUNE 30, 2017**

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# PLODZIK & SANDERSON

*Professional Association/Accountants & Auditors*

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## ***INDEPENDENT AUDITOR'S REPORT***

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

We have audited the accompanying financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Town of Grantham as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

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

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

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

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

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

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

### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and aggregate remaining fund information of the Town of Grantham, as of June 30, 2017, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

**Required Supplementary Information** – Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of Funding Progress for Other Postemployment Benefit Plan, the Schedule of the Town's Proportionate Share of Net Pension Liability, and the Schedule of Town Contributions 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 them 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

*Town of Grantham*  
*Independent Auditor's Report*

information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

February 5, 2018

*Plodyk & Sanderson  
Professional Association*

## Management's Discussion and Analysis

As management of the Town of Grantham (the "Town"), we offer the readers of the Town's financial statements this narrative overview and analysis of the financial activities of the Town for the year ended June 30, 2017.

### Financial Highlights

- The assets and deferred outflows of resources the Town exceeded its liabilities and deferred inflows of resources of the most recent year-end by \$8,221,900 (*net position*). Of this amount, \$2,464,407 (*unrestricted net position*) may be used to meet the Town's ongoing obligations to citizens and creditors.
- The Town's total net position increased by \$583,524.
- As of the close of the current year, the Town's governmental funds reported a combined ending fund balance of \$3,944,949. Approximately 62% (\$2,449,323) of this total amount is available for spending at the Town's discretion (*unassigned fund balance*).
- At the end of the current year, budgetary unassigned fund balance for the General Fund was \$2,417,738.

### Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's basic financial statements include four components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements and 4) required supplementary information. In addition to the basic financial statements, this report contains other supplementary information.

#### **Government-wide financial statements**

The government-wide financial statements provide a broad view of the Town's finances. These statements (*Statement of Net Position* and the *Statement of Activities*) provide both short-term and long-term information about the Town's overall financial position. They are prepared using the accrual basis of accounting, which recognizes all revenues and expenses connected with the current year even if cash has not been received or paid.

The *Statement of Net Position* presents information on all of the Town's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position. Over time, increases or decreases in the net position may serve as a useful indicator of whether the financial position of the Town is improving or deteriorating.

The *Statement of Activities* presents information showing how the Town's net position changed, during the most recent year. All changes in net position are reported as soon as the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future periods (such as uncollected taxes and licenses, and earned, but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for each function of the town.

The Town participates in governmental activities and does not currently participate in business type activities. The governmental activities in this section represent most of the Town's basic services and are generally supported by taxes, grants and intergovernmental revenues. The governmental activities of the town include general government, public safety, highway and streets, sanitation, health, welfare, culture and recreation, and conservation.

The government-wide financial statements can be found on pages 12 and 13 of this report.

### **Fund financial statements**

A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Town, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on the individual parts of the Town government, and report the Town's operations in more detail than the government-wide statements. The Town's funds are divided into two categories: 1) governmental and 2) fiduciary.

**Governmental funds:** Most of the basic services provided by the Town are financed through governmental funds. Unlike the government-wide financial statements, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on hand balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented here with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund *Balance Sheet* and the governmental fund *Statement of Revenues, Expenditures and Changes in Fund Balances* provide reconciliation to the government-wide statements in order to facilitate this comparison between governmental funds and governmental activities.

The Town maintains five individual governmental funds. Information is presented separately in the *Governmental Fund Combining Balance Sheet* and in the *Combining*

*Statement of Revenues, Expenditures and Changes in Fund Balances* for the non-major funds. The General Fund is considered to be a major fund. The General Fund accounts for governmental services provided to the Town's residents. Data from the governmental funds are combined into a single, aggregated presentation termed Other Governmental Funds.

The Town's governmental funds financial statements can be found on pages 14 through 17.

**Fiduciary Funds:** These funds are used to account for resources held for the benefits of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the Town's own programs. The basis of accounting used for fiduciary funds is the accrual basis of accounting.

- **Private-Purpose Trust Funds** account for the activity of trust arrangements under which principal and income benefit individuals, private organizations, or other governments. The Town uses these types to account for scholarship donations.
- **Agency Funds** accounts for the resources held in a pure custodial capacity. This account reports information on trust funds held by the trustees that belong to other governments.

The Town's fiduciary funds statements can be found on pages 19 and 20 of this report.

### **Notes to the financial statements**

The notes provide additional information that is essential to a full understanding of the date provided in the government-wide and the fund financial statements, and are required by accounting principles generally accepted in the United States.

The notes to the financial statements begin on page 21.

**Required supplementary information:** The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a schedule of funding progress for other post-employment benefit plan, a schedule of the Town's proportionate share of net position liability and a schedule of Town contributions.

**Other supplementary information:** Other supplementary information includes combining financial statements for non-major governmental funds.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Town, assets and deferred outflows of resources exceeded liabilities and deferred inflow of resources by \$8,221,900 as of June 30, 2017.

Following is a summary of the Town's net position as found on page 12 of this report.

	Governmental Activities	
	2017	2016
Current and other assets	\$ 8,951,788	\$ 9,368,406
Capital assets, not being depreciated	758,203	758,203
Capital assets, net of depreciation	6,102,166	5,894,100
Total assets	<u>15,812,157</u>	<u>16,020,709</u>
Deferred outflows of resources	416,370	136,799
Long-term liabilities outstanding	2,887,046	2,613,128
Other liabilities	3,941,225	4,629,148
Total liabilities	<u>6,828,271</u>	<u>7,242,276</u>
Deferred inflows of resources	1,178,356	1,276,856
Net position:		
Net investment in capital assets	5,638,497	5,346,269
Restricted	118,996	123,421
Unrestricted	2,464,407	2,168,686
Total net position	<u>\$ 8,221,900</u>	<u>\$ 7,638,376</u>

## Net position

*Net Investment in Capital Assets:* A large portion of the Town's net position reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads and bridges), less any related outstanding debt used to acquire those assets. The Town uses these capital assets to provide services to the citizens; consequently, these assets are not available for future spending.

*Restricted Net Position:* Approximately 1.4% of the Town's net position represents resources that are subject to external restrictions on how they may be used.

*Unrestricted Net Position:* The Town's unrestricted net position, totaling \$2,464,407 may be used to meet the Town's ongoing obligations. Internally imposed designations of resources are not presented as restricted net position. At the end of the year, the Town was able to report positive balances in all three categories of net position.

The following is a summary of the information presented in the Statement of Activities found on page 13.

	Governmental Activities			
	2017	2016	Change	%
Revenues:				
Program revenues:				
Charges for services	\$ 71,077	\$ 74,812	\$ (3,735)	-5.0%
Operating grants and contributions	66,539	66,413	126	0.2%
Capital grants and contributions	23,453	221,935	(198,482)	-89.4%
General revenues:				
Taxes	2,196,378	2,136,814	59,564	2.8%
Licenses and permits	797,545	766,776	30,769	4.0%
Unrestricted grants and contributions	155,093	146,022	9,071	6.2%
Miscellaneous	138,955	247,647	(108,692)	-43.9%
Total revenues	<u>3,449,040</u>	<u>3,660,419</u>	<u>(211,379)</u>	<u>-5.8%</u>
Expenses:				
General government	1,142,275	998,352	143,923	14.4%
Public safety	701,477	691,842	9,635	1.4%
Highways and streets	367,932	327,665	40,267	12.3%
Sanitation	248,489	262,687	(14,198)	-5.4%
Health	17,457	17,400	57	0.3%
Welfare	4,645	1,539	3,106	201.8%
Culture and recreation	338,301	314,887	23,414	7.4%
Conservation	4,650	10,136	(5,486)	-54.1%
Interest on long-term debt	40,290	44,268	(3,978)	-9.0%
Total expenses	<u>2,865,516</u>	<u>2,668,776</u>	<u>196,740</u>	<u>7.4%</u>
Change in net position	583,524	991,643	(408,119)	-41.2%
Beginning net position	<u>7,638,376</u>	<u>6,646,733</u>	<u>991,643</u>	<u>14.9%</u>
Ending net position	<u><u>8,221,900</u></u>	<u><u>7,638,376</u></u>	<u><u>583,524</u></u>	<u><u>7.6%</u></u>

## **Financial Analysis of the Town's Funds**

As noted earlier, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

The fund financial statements for the Town are provided on pages 14 through 17. The focus of the Town's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Town's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the year.

At the end of the current year, the Town's governmental funds reported a combined ending fund balance of \$3,944,949, which increased \$265,964 during the year. Of the \$3,944,949, \$87,858 is nonspendable, \$74,500 is restricted, \$1,299,248 is committed and \$34,020 is assigned. The remaining fund balance of \$2,449,323 is considered unassigned and is available for spending at the Town's discretion subject to budgetary controls.

The General Fund is the primary operating fund of the Town. At the end of the current year, budgetary unassigned fund balance of the General Fund was \$2,417,738. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance and total fund expenditures. Budgetary unassigned fund balance represents 73% of total General Fund expenditures.

### **Budgetary Highlights**

Budget to actual schedule for the General Fund is located in the Basic Financial Statements section beginning on page 18. Actual revenues generated by the general fund in 2017 exceeded amounts budgeted by \$217,079 as shown in Exhibit D of the financial statements. The major component of this favorable variance was due to an increase in the number of motor vehicle registrations, other licenses and permit fees, as well as an increase in taxes.

Appropriations exceeded actual expenditures by \$610,338, as shown in Exhibit D of the basic financial statements. The major components of this favorable variance were:

- Less than anticipated general government expenditures of \$184,740 mainly due to less than expected employee benefits.
- Less than anticipated public safety expenditures of \$84,674 mainly due to less than expected police and fire department costs, including but not limited to, replacement of portable radios, uniforms and equipment, as well as general operating expenses.
- Less than anticipated highways and streets expenditures of \$46,610 mainly due to the milder winter, therefore, less maintenance costs were incurred.
- Less than anticipated sanitation expenditures of \$85,691 due to the unpredictable market of disposing of recycling and the costs for disposing of solid waste.
- Less than anticipated capital outlay expenditures of \$170,985 due to the backhoe purchase being \$30,000 less than expected, LED lighting upgrades being \$27,271, and the remainder from the Miller Pond Road Bridge rehabilitation project being less than expected.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

The Town's investment in capital assets for its governmental activities as of June 30, 2017 amounts to \$6,860,369 (net of accumulated depreciation). Additional information on the capital assets can be found in Note 5 in the Notes to the Basic Financial Statements.

The Selectmen created a Capital Improvement Plan Committee to review the Town's long-range planning of capital assets.

	<u>2017</u>	<u>2016</u>	<u>Change</u>
At cost:			
Not being depreciated:			
Land	\$ 758,203	\$ 758,203	\$ -
Being depreciated:			
Land improvements	410,857	410,857	-
Buildings and building improvements	3,629,051	3,629,051	-
Equipment and vehicles	2,145,273	2,043,273	102,000
Infrastructure	1,338,877	1,006,316	332,561
Total capital assets being depreciated	<u>7,524,058</u>	<u>7,089,497</u>	<u>434,561</u>
Total all capital assets	<u>8,282,261</u>	<u>7,847,700</u>	<u>434,561</u>
Less accumulated depreciation:			
Land improvements	(82,171)	(61,628)	(20,543)
Buildings and building improvements	(296,171)	(269,894)	(26,277)
Equipment and vehicles	(904,813)	(748,406)	(156,407)
Infrastructure	(138,737)	(115,469)	(23,268)
Total accumulated depreciation	<u>(1,421,892)</u>	<u>(1,195,397)</u>	<u>(226,495)</u>
Net book value, capital assets being depreciated	<u>6,102,166</u>	<u>5,894,100</u>	<u>208,066</u>
Net book value, all capital assets	<u>\$6,860,369</u>	<u>\$ 6,652,303</u>	<u>\$ 208,066</u>

## Debt Administration

The Town's long-term debt obligations are comprised of two general obligation bonds, five capital leases, compensated absences, which are employee related benefits, and postemployment benefits, accrued landfill post closure care costs, and net position liability. Additional information on the capital leases, debt, pension plan and other postemployment benefits can be found in Notes 9 through 12 in the Notes to the Basic Financial Statements.

	<u>2017</u>	<u>2016</u>	<u>Change</u>
Bonds payable:			
General obligation bonds	\$ 909,600	\$ 1,019,600	\$ (110,000)
Premium	34,260	38,350	(4,090)
Total bonds payable	<u>943,860</u>	<u>1,057,950</u>	<u>(114,090)</u>
Capital leases	278,012	248,084	29,928
Compensated absences	9,450	8,214	1,236
Accrued landfill postclosure costs	150,000	184,000	(34,000)
Net other postemployment benefits	65,790	52,536	13,254
Net pension liability	1,439,934	1,062,344	377,590
Total long-term liabilities	<u>\$ 2,887,046</u>	<u>\$ 2,613,128</u>	<u>\$ 273,918</u>

## **Economic Factors and the 2017 Budget**

At the 2016 Annual Town Meeting, the Town voted \$3,302,703 for the 2017 operating budget and transfers totaling \$170,890. These appropriations were funded as follows: \$2,093,160 from taxes; \$1,130,433 from other general revenue; and \$250,000 from fund balance.

## **Requests for Information**

This financial report is designed to provide a general overview of the Town of Grantham's finances for all the citizens, taxpayers, customers, investors and creditors. This financial report seeks to demonstrate the Town's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed in writing to:

Town of Grantham, Selectmen's Office  
300 Route 10 South  
Grantham, NH 03753  
Phone: (603) 863-6021  
Email: [admin@granthamnh.net](mailto:admin@granthamnh.net)

***BASIC FINANCIAL STATEMENTS***

**EXHIBIT A**  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
*Statement of Net Position*  
**June 30, 2017**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 7,295,195
Taxes receivable (net)	1,612,998
Intergovernmental receivable	233
Prepaid items	11,220
Tax deeded property, subject to resale	32,142
Capital assets:	
Land and construction in progress	758,203
Other capital assets, net of depreciation	6,102,166
Total assets	15,812,157
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts related to pensions	416,370
<b>LIABILITIES</b>	
Accounts payable	86,915
Accrued interest payable	19,752
Intergovernmental payable	3,834,558
Long-term liabilities:	
Due within one year	232,454
Due in more than one year	2,654,592
Total liabilities	6,828,271
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - Property taxes	1,116,951
Deferred amounts related to pensions	61,405
Total deferred inflows of resources	1,178,356
<b>NET POSITION</b>	
Net investment in capital assets	5,638,497
Restricted	118,996
Unrestricted	2,464,407
Total net position	\$ 8,221,900

**EXHIBIT B**  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**Statement of Activities**  
**For the Fiscal Year Ended June 30, 2017**

	Expenses	Program Revenues			Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
General government	\$ 1,142,275	\$ 2,599	\$ -	\$ -	\$ (1,139,676)
Public safety	701,477	2,226	30	-	(699,221)
Highways and streets	367,932	-	66,509	23,453	(277,970)
Sanitation	248,489	51,116	-	-	(197,373)
Health	17,457	-	-	-	(17,457)
Welfare	4,645	-	-	-	(4,645)
Culture and recreation	338,301	15,136	-	-	(323,165)
Conservation	4,650	-	-	-	(4,650)
Interest on long-term debt	40,290	-	-	-	(40,290)
<b>Total governmental activities</b>	<b>\$ 2,865,516</b>	<b>\$ 71,077</b>	<b>\$ 66,539</b>	<b>\$ 23,453</b>	<b>(2,704,447)</b>
General revenues:					
Taxes:					
Property					2,148,338
Other					48,040
Motor vehicle permit fees					764,899
Licenses and other fees					32,646
Grants and contributions not restricted to specific programs					155,093
Miscellaneous					137,755
Contributions to permanent funds					1,200
<b>Total general revenues</b>					<b>3,287,971</b>
Change in net position					583,524
Net position, beginning					7,638,376
Net position, ending					<b>\$ 8,221,900</b>

**EXHIBIT C-1**  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**Governmental Funds**  
**Balance Sheet**  
**June 30, 2017**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 7,099,255	\$ 195,940	\$ 7,295,195
Taxes receivable	1,714,998	-	1,714,998
Intergovernmental receivable	233	-	233
Interfund receivable	520	-	520
Prepaid items	11,220	-	11,220
Tax dedeed property, subject to resale	32,142	-	32,142
Total assets	<u>\$ 8,858,368</u>	<u>\$ 195,940</u>	<u>\$ 9,054,308</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 86,915	\$ -	\$ 86,915
Intergovernmental payables	3,834,558	-	3,834,558
Interfund payable	-	520	520
Total liabilities	<u>3,921,473</u>	<u>520</u>	<u>3,921,993</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Unavailable revenue - Property taxes	<u>1,187,366</u>	<u>-</u>	<u>1,187,366</u>
<b>FUND BALANCES</b>			
Nonspendable	43,362	44,496	87,858
Restricted	58,206	16,294	74,500
Committed	1,164,618	134,630	1,299,248
Assigned	34,020	-	34,020
Unassigned	2,449,323	-	2,449,323
Total fund balances	<u>3,749,529</u>	<u>195,420</u>	<u>3,944,949</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,858,368</u>	<u>\$ 195,940</u>	<u>\$ 9,054,308</u>

*EXHIBIT C-2*  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
*Governmental Funds*  
**Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position**  
**June 30, 2017**

Total fund balances of governmental funds (Exhibit C-1)		\$ 3,944,949
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources, therefore, are not reported in the funds.		
Cost	\$ 8,282,261	
Less accumulated depreciation	<u>(1,421,892)</u>	6,860,369
Certain resources are not current financial resources in the governmental funds, and instead are reported in the Statement of Net Position		
Deferred outflows of resources related to pensions	\$ 416,370	
Deferred inflows of resources related to pensions	<u>(61,405)</u>	354,965
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (520)	
Payables	<u>520</u>	-
Allowance for uncollectible property taxes that is recognized on a full accrual basis, but not on the modified accrual basis.		(102,000)
Other long-term assets (property taxes) are not available to pay for current period expenditures, and therefore, are reported as unavailable revenue in the funds.		70,415
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(19,752)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the funds.		
Bonds	\$ 909,600	
Unamortized bond premium	34,260	
Capital leases	278,012	
Compensated absences	9,450	
Accrued landfill postclosure care costs	150,000	
Other postemployment benefits	65,790	
Net pension liability	<u>1,439,934</u>	<u>(2,887,046)</u>
Net position of governmental activities (Exhibit A)		<u>\$ 8,221,900</u>

**EXHIBIT C-3**  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**Governmental Funds**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2017**

	General	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes	\$ 2,141,664	\$ -	\$ 2,141,664
Licenses and permits	797,545	-	797,545
Intergovernmental	245,085	-	245,085
Charges for services	47,223	23,854	71,077
Miscellaneous	130,603	8,352	138,955
Total revenues	<u>3,362,120</u>	<u>32,206</u>	<u>3,394,326</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,048,984	-	1,048,984
Public safety	636,147	-	636,147
Highways and streets	405,020	-	405,020
Sanitation	266,909	-	266,909
Health	17,457	-	17,457
Welfare	4,645	-	4,645
Culture and recreation	283,202	12,327	295,529
Conservation	3,606	1,044	4,650
Debt service:			
Principal	182,072	-	182,072
Interest	47,250	-	47,250
Capital outlay	318,360	3,339	321,699
Total expenditures	<u>3,213,652</u>	<u>16,710</u>	<u>3,230,362</u>
Excess of revenues over expenditures	<u>148,468</u>	<u>15,496</u>	<u>163,964</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	15,260	-	15,260
Transfers out	-	(15,260)	(15,260)
Capital leases inception	102,000	-	102,000
Total other financing sources (uses)	<u>117,260</u>	<u>(15,260)</u>	<u>102,000</u>
Net change in fund balances	265,728	236	265,964
Fund balances, beginning	3,483,801	195,184	3,678,985
Fund balances, ending	<u>\$ 3,749,529</u>	<u>\$ 195,420</u>	<u>\$ 3,944,949</u>

*EXHIBIT C-4*  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
*Reconciliation of the Statement of Revenues, Expenditures, and*  
*Changes in Fund Balances of Governmental Funds to the Statement of Activities*  
*For the Fiscal Year Ended June 30, 2017*

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 265,964
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures. In the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	\$ 469,811	
Depreciation expense	<u>(236,365)</u>	233,446
The net effect of various miscellaneous transactions involving capital assets (i.e. losses and disposals) is to decrease net assets.		(25,380)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (15,260)	
Transfers out	<u>15,260</u>	-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in 60-day property tax deferred inflow	\$ (1,286)	
Change in allowance for uncollectible property taxes	<u>56,000</u>	54,714
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and when debt is first issued, however these amounts are deferred and amortized in the Statement of Activities.		
Repayment of bond principal	\$ 110,000	
Capital lease inception	(102,000)	
Repayment of capital leases	72,072	
Amortization of bond premium	<u>4,090</u>	84,162
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 2,870	
Increase in compensated absences payable	(1,236)	
Increase in other postemployment benefits payable	(13,254)	
Decrease in accrued landfill postclosure care costs	34,000	
Changes in balances related to GASB Statement No. 68	<u>(51,762)</u>	(29,382)
Changes in net position of governmental activities (Exhibit B)		<u><u>\$ 583,524</u></u>

**EXHIBIT D**  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
*Statement of Revenues, Expenditures, and Changes in Fund Balance*  
*Budget and Actual (Non-GAAP Budgetary Basis)*  
**General Fund**  
**For the Fiscal Year Ended June 30, 2017**

	Budgeted Amounts		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes	\$ 2,123,910	\$ 2,123,910	\$ 2,196,378	\$ 72,468
Licenses and permits	673,200	673,200	797,545	124,345
Intergovernmental	221,483	221,483	245,085	23,602
Charges for services	35,000	35,000	47,223	12,223
Miscellaneous	90,000	90,000	74,441	(15,559)
Total revenues	<u>3,143,593</u>	<u>3,143,593</u>	<u>3,360,672</u>	<u>217,079</u>
<b>EXPENDITURES</b>				
Current:				
General government	1,233,324	1,236,824	1,052,084	184,740
Public safety	647,742	644,242	559,568	84,674
Highways and streets	391,630	391,630	345,020	46,610
Sanitation	352,600	352,600	266,909	85,691
Health	19,300	19,300	17,457	1,843
Welfare	25,000	25,000	4,645	20,355
Culture and recreation	228,890	228,890	215,394	13,496
Conservation	4,400	4,400	3,606	794
Debt service:				
Principal	189,617	189,617	182,072	7,545
Interest	40,855	40,855	47,250	(6,395)
Capital outlay	169,345	169,345	(1,640)	170,985
Total expenditures	<u>3,302,703</u>	<u>3,302,703</u>	<u>2,692,365</u>	<u>610,338</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(159,110)</u>	<u>(159,110)</u>	<u>668,307</u>	<u>827,417</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	80,000	80,000	95,260	15,260
Transfers out	(170,890)	(170,890)	(170,890)	-
Total other financing sources (uses)	<u>(90,890)</u>	<u>(90,890)</u>	<u>(75,630)</u>	<u>15,260</u>
Net change in fund balances	<u>\$ (250,000)</u>	<u>\$ (250,000)</u>	592,677	<u>\$ 842,677</u>
Increase in nonspendable fund balance			(11,937)	
Increase in committed fund balance (non-encumbrances)			(405,000)	
Increase in assigned fund balance (non-encumbrances)			(30,000)	
Unassigned fund balance, beginning			2,271,998	
Unassigned fund balance, ending			<u>\$ 2,417,738</u>	

*EXHIBIT E-1*  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
*Fiduciary Funds*  
*Statement of Net Position*  
*June 30, 2017*

	Private Purpose Trust	Agency
<b>ASSETS</b>		
Cash and cash equivalents	\$ 10,088	\$ 1,598,164
<b>LIABILITIES</b>		
Intergovernmental payables	-	1,598,164
<b>NET POSITION</b>		
Held in trust for specific purposes	\$ 10,088	\$ -

*EXHIBIT E-2*  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
*Fiduciary Funds*  
*Statement of Changes in Net Position*  
*For the Fiscal Year Ended June 30, 2017*

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	Private Purpose Trust
<b>ADDITIONS</b>	
New funds	\$ 200
Interest	111
Total revenue	311
<b>DEDUCTIONS</b>	
Trust income distributions	1,751
Change in net position	(1,440)
Net position, beginning	11,528
Net position, ending	\$ 10,088

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

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**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

***1-A Reporting Entity***

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

***1-B Government-wide and Fund Financial Statements***

***Government-wide Financial Statements*** - The Statement of Net Position and the Statement of Activities report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been eliminated from these statements. Governmental activities normally are supported through taxes and intergovernmental revenues.

The *Statement of Net Position* presents the financial position of the Town at year-end. This statement includes all of the Town's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position.

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

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

In the governmental fund financial statements, expenditures are reported by character: current, debt service or capital outlay. Current expenditures are subclassified by function and are for items such as salaries, grants, supplies, and services. Debt service includes both interest and principal outlays related to bonds. Capital outlay includes expenditures for equipment, real property, or infrastructure.

**Other Financing Sources (Uses)** – these additions to and reductions from resources in governmental fund financial statements normally result from transfers from/to other funds and financing related to the inception of capital leases. Transfers are reported when incurred as “transfers in” by the receiving fund and as “transfers out” by the disbursing fund.

***1-C Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

***Measurement Focus and Basis of Accounting*** - The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements, except for agency funds which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded when liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

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

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

**Financial Statement Presentation** - A fund is a separate accounting entity with a self-balancing set of accounts. Fund accounting is designed to report financial position and the results of operations, to demonstrate legal compliance, and to aid financial management by segregating transactions related to certain government functions or activities.

The Town reports the following major governmental fund:

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

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

Additionally, the Town reports the following fund types:

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

**Permanent Fund** - is used to record activity of legal trusts for which the interest on the corpus provides funds for the Town’s cemetery operations.

**Fiduciary Funds** – The Town also reports the following fiduciary funds:

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

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

***1-D Cash and Cash Equivalents***

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits and savings accounts. A cash pool is maintained that is available for use by all funds. Each fund’s portion of this pool is reflected on the combined financial statements under the caption “cash and cash equivalents.”

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

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

***1-E Receivables***

Receivables recorded in the financial statements represent amounts due to the Town at June 30. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes and intergovernmental receivables.

***1-F Prepaid Items***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements, and expenses/expenditures as the items are used.

***1-G Capital Assets***

Capital assets are defined by the Town as assets with an initial individual cost of \$5,000 or more and an estimated life in excess of one year. Capital assets include property, plant, and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, drainage, and similar items) and are reported in the governmental activities.

The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund’s measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the governmental activities column of the government-wide Statement of Net Position.

Additions, improvements, and other capital outlay that significantly extend the useful life of an asset are capitalized. The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend lives are not capitalized.

In the government-wide financial statements, the cost of property sold or retired, together with the related accumulated depreciation, is removed and any resulting gain or loss is included in income.

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

	<u>Years</u>
<b>Capital Asset Classes:</b>	
Land improvements	20
Buildings and building improvements	20 - 50
Equipment and vehicles	5 - 25
Infrastructure	15 - 50

***1-H Interfund Activities***

Interfund activities are reported as follows:

***Interfund Receivables and Payables*** – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

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

***1-I Property Taxes***

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year. Warrants for the year were issued on May 31, 2016 and October 31, 2016, and were due on July 5, 2016 and December 6, 2016, respectively. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

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

The Town net assessed valuation as of April 1, 2016 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 460,560,932
For all other taxes	\$ 465,657,232

The tax rates and amounts assessed for the year ended June 30, 2017 were as follows:

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$4.73	\$ 2,202,816
School portion:		
State of New Hampshire	\$2.30	1,060,878
Local	\$13.88	6,462,728
County portion	\$2.93	1,363,125
Precinct portions:		
Eastman Village	\$1.54	476,499
Total		\$ 11,566,046

***1-J Accounts Payable***

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of June 30, 2017.

***1-K Deferred Outflows/Inflows of Resources***

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

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

***1-L Long-term Obligations***

In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the governmental activities. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium.

In the fund financial statements, governmental fund types recognize bond premiums during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources.

***1-M Compensated Absences***

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

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

***1-N Defined Benefit Pension Plan***

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

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

***1-O Net Position/Fund Balances***

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

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

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

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

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

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

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

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

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

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

**1-P Use of Estimates**

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

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**2-A Budgetary Information**

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

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2017, \$250,000 of the beginning general fund unassigned fund balance was applied for this purpose.

**2-B Budgetary Reconciliation to GAAP Basis**

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

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

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 3,455,932
Adjustment:	
Basis difference:	
Inception of capital leases	102,000
GASB Statement No. 54:	
Revenue of the blended funds	56,162
Eliminate transfers between blended funds	(80,000)
Change in 60-day property tax deferred inflow	1,286
Change in allowance for uncollectible property taxes	(56,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 3,479,380</u>
	<i>(Continued)</i>

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*Budgetary reconciliation to GAAP basis continued:*

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 2,863,255
Adjustment:	
Basis differences:	
Encumbrances, beginning	434,789
Encumbrances, ending	(3,310)
Inception of capital leases	102,000
GASB Statement No. 54:	
Expenditures of the blended funds	67,808
Eliminate transfers between blended funds	(170,890)
Expenditure not recognized on modified accrual basis	(80,000)
Per Exhibit C-3 (GAAP basis)	<u>\$ 3,213,652</u>

**DETAILED NOTES ON ALL FUNDS**

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The Town's deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits was \$8,903,397 and the bank balances totaled \$8,596,124. Petty cash totaled \$50. The Town held \$36,144 in certificates of deposit at various banks at year-end.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 7,295,195
Cash per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	1,608,252
Total cash and cash equivalents	<u>\$ 8,903,447</u>

**NOTE 4 – TAXES RECEIVABLE**

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of June 30, 2017. The amount has been reduced by an allowance for an estimated uncollectible amount of \$102,000. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2017	\$ 1,527,660	\$ 1,527,660
Unredeemed (under tax lien):		
Levy of 2016	66,328	66,328
Levy of 2015	46,675	46,675
Levies of 2014 and prior	73,640	73,640
Yield	695	695
Less: allowance for estimated uncollectible taxes	(102,000) *	-
Net taxes receivable	<u>\$ 1,612,998</u>	<u>\$ 1,714,998</u>

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

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**NOTE 5 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017 is as follows:

	Balance, beginning	Additions	Disposals	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 758,203	\$ -	\$ -	\$ 758,203
Being depreciated:				
Land improvements	410,857	-	-	410,857
Buildings and building improvements	3,629,051	-	-	3,629,051
Equipment and vehicles	2,043,273	102,000	-	2,145,273
Infrastructure	1,006,316	367,811	(35,250)	1,338,877
Total capital assets being depreciated	<u>7,089,497</u>	<u>469,811</u>	<u>(35,250)</u>	<u>7,524,058</u>
Total all capital assets	<u>7,847,700</u>	<u>469,811</u>	<u>(35,250)</u>	<u>8,282,261</u>
Less accumulated depreciation:				
Land improvements	(61,628)	(20,543)	-	(82,171)
Buildings and building improvements	(269,894)	(26,277)	-	(296,171)
Equipment and vehicles	(748,406)	(156,407)	-	(904,813)
Infrastructure	(115,469)	(33,138)	9,870	(138,737)
Total accumulated depreciation	<u>(1,195,397)</u>	<u>(236,365)</u>	<u>9,870</u>	<u>(1,421,892)</u>
Net book value, capital assets being depreciated	<u>5,894,100</u>	<u>233,446</u>	<u>(25,380)</u>	<u>6,102,166</u>
Net book value, all capital assets	<u>\$ 6,652,303</u>	<u>\$ 233,446</u>	<u>\$ (25,380)</u>	<u>\$ 6,860,369</u>

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

General government	\$ 6,785
Public safety	108,122
Highways and streets	67,501
Sanitation	11,491
Culture and recreation	42,466
Total depreciation expense	<u>\$ 236,365</u>

**NOTE 6 – INTERFUND BALANCES AND TRANSFERS**

**Interfund Balances** - The composition of interfund balances as of June 30, 2017 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	<u>\$ 520</u>

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

**Interfund Transfers** - The composition of interfund transfers for the year ended June 30, 2017 is as follows:

	Transfers In:
	General
	Fund
Transfers out:	
Nonmajor fund	<u>\$ 15,260</u>

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

**NOTE 7 – INTERGOVERNMENTAL PAYABLES**

Amounts due to other governments of \$5,432,722 at June 30, 2017 consist of the following:

General fund:	
Balance of the 2017-2018 district assessment due to the Grantham School District	\$ 3,141,813
Balance of the 2017 county assessment due to Sullivan County	678,658
Other miscellaneous balances	14,087
Total general fund	<u>3,834,558</u>
Agency fund:	
Balance of the expendable trusts belonging to the Grantham School District	582,889
Balance of the expendable trusts belonging to the Eastman Village District	1,015,275
Total agency fund	<u>1,598,164</u>
Total intergovernmental payables due	<u>\$ 5,432,722</u>

**NOTE 8 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES**

Deferred outflows of resources of \$416,370 in the governmental activities at June 30, 2017 consists of amounts related to pensions, see Note 11.

Deferred inflows of resources reported as unavailable revenue are as follows:

	Governmental Activities	General Fund
Property taxes not collected within 60 days of fiscal year-end	\$ -	\$ 70,415
Property tax warrant issued but not due until subsequent fiscal year	1,116,951	1,116,951
Amounts related to pensions, see Note 11	61,405	-
Total deferred inflows of resources	<u>\$ 1,178,356</u>	<u>\$ 1,187,366</u>

**NOTE 9 – CAPITAL LEASES**

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

	Standard Interest Rate	Present Value of Remaining Payments as of June 30, 2017
Capital lease obligations:		
International plow truck	6.77%	\$ 60,595
Dodge Charger	3.11%	10,484
SCBA's and other equipment	3.11%	104,933
Police Cruiser	3.62%	42,000
One Ton Truck	3.27%	60,000
Total capital lease obligations		<u>\$ 278,012</u>

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

	Governmental Activities
Equipment:	
International plow truck	\$ 148,000
Dodge Charger	31,463
SCBA's and other equipment	175,000
Police Cruiser	42,000
One Ton Truck	60,000
Total equipment	456,463
Less: accumulated depreciation	90,518
Total capital lease equipment	\$ 365,945

The annual requirements to amortize the capital leases payable as of June 30, 2017, including interest payments, are as follows:

Fiscal Year Ending June 30,	Governmental Activities
2018	\$ 115,311
2019	104,494
2020	72,891
Total requirements	292,696
Less: interest	14,684
Present value of remaining payments	\$ 278,012

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

**NOTE 10 – LONG-TERM LIABILITIES**

Changes in the Town's long-term liabilities consisted of the following for the year ended June 30, 2017:

	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year
Bonds payable:					
General obligation bonds	\$ 1,019,600	\$ -	\$ (110,000)	\$ 909,600	\$ 110,000
Premium	38,350	-	(4,090)	34,260	4,090
Total bonds payable	1,057,950	-	(114,090)	943,860	114,090
Capital leases	248,084	102,000	(72,072)	278,012	108,364
Compensated absences	8,214	1,236	-	9,450	-
Accrued landfill postclosure care costs	184,000	-	(34,000)	150,000	10,000
Net other postemployment benefits	52,536	13,254	-	65,790	-
Net pension liability	1,062,344	377,590	-	1,439,934	-
Total long-term liabilities	\$ 2,613,128	\$ 494,080	\$ (220,162)	\$ 2,887,046	\$ 232,454

Long-term bonds are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at June 30, 2017
General obligation bonds payable:					
Town building	\$ 1,219,000	2005	2025	3.0 - 5.0%	\$ 480,000
Dunbar Free Library	\$ 479,600	2015	2026	4.40%	429,600
					\$ 909,600

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The annual requirements to amortize all general obligation bonds outstanding as of June 30, 2017, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2018	\$ 110,000	\$ 34,238	\$ 144,238
2019	110,000	29,188	139,188
2020	110,000	24,213	134,213
2021	110,000	20,780	130,780
2022	110,000	16,055	126,055
2023-2026	359,600	23,886	383,486
Totals	<u>\$ 909,600</u>	<u>\$ 148,360</u>	<u>\$ 1,057,960</u>

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

**Accrued Landfill Postclosure Care Costs** – The Town ceased operating its landfill in 1989. Federal and State 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 after closure. A liability is being recognized based on the future postclosure care costs that will be incurred. The recognition of these landfill postclosure care costs is based on the amount of the landfill used through the end of the year. The estimated liability for landfill postclosure care costs has a balance of \$150,000 as of June 30, 2017. The estimated total current cost of the landfill postclosure care (\$10,000) 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 June 30, 2017. However, the actual cost of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

**NOTE 11 – DEFINED BENEFIT PENSION PLAN**

**Plan Description:** The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters and permanent police officers with in the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

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

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

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

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

**Contributions:** The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. The contribution rates were 11.55% for police officers and 11.80% for firefighters. All employees are required to contribute 7% of earnable compensation. For fiscal year 2017, the Town contributed 26.38% for police, 29.16% for firefighters, and 11.17% for all other employees. The contribution requirements for the fiscal years 2015, 2016, and 2017 were \$101,059, \$106,054, and \$113,430, respectively, which were paid in full in each year.

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions**  
- At June 30, 2017 the Town reported a liability of \$1,439,934 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2016, the Town's proportion was .02707866% which was an increase of .00026212% from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the Town recognized pension expense of \$159,294. At June 30, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 37,536	\$ 43,222
Changes in assumptions	177,210	-
Net difference between projected and actual investment earnings on pension plan investments	90,090	-
Difference between expected and actual experience	4,002	18,183
Contributions subsequent to the measurement date	107,532	-
Total	\$ 416,370	\$ 61,405

The \$107,532 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Fiscal Year Ending June 30,	
	2016	\$ 50,136
	2017	50,136
	2018	78,313
	2019	65,353
	2020	3,495
	Totals	\$ 247,433

**Actuarial Assumptions:** The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2015, using the following actuarial assumptions which, accordingly apply to 2016 measurements:

Inflation:	2.5%	
Salary increases:	5.6% average, including inflation	
Investment rate of return:	7.25% net of pension plan investment expense, including inflation	

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

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

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

Asset Class	Target Allocation	Weighted average long-term expected real rate of return 2015
Large Cap Equities	22.50%	3.00%
Small/Mid Cap Equities	7.50%	3.00%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.00%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50 %	(0.70%)
Short Duration	2.50%	(1.00%)
Global Multi-Sector Fixed Income	11.00%	0.28%
Unrestrained Fixed Income	7.00%	0.16%
Total fixed income	25.00%	
Private equity	5.00%	5.50%
Private debt	5.00%	4.50%
Real estate	10.00%	3.50%
Opportunistic	5.00%	2.75%
Total alternative investments	25.00%	
Total	100.00%	

**Discount Rate:** The discount rate used to measure the collective total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2016	\$ 1,850,217	\$ 1,439,934	\$ 1,099,669

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

**NOTE 12 – OTHER POSTEMPLOYMENT BENEFITS (OPEB)**

**Plan Description and Annual OPEB Cost -** The Town provides postemployment benefit options for health care to eligible retirees, terminated employees, and their dependents in accordance with the provisions of various employment contracts. The benefit levels, employee contributions, and employer contributions are governed by the City's contractual agreements.

GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* requires that the long-term cost of retirement health care and obligations for other postemployment benefits (OPEB) be determined on an actuarial basis and reported similar to pension plans. GASB Statement No. 45 does not mandate the pre-funding of postemployment benefit liabilities. However, any pre-funding of these benefits will help minimize or eliminate the postemployment benefit obligation that will be required to be reported on the financial statements.

The Town has only partially funded (on a pay-as-you-go basis) the annual required contribution (ARC), an actuarially determined rate in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table presents the OPEB cost for the year, the amount contributed and changes in the OPEB plan for fiscal year 2016:

Annual required contribution	\$ 14,846
Interest on net OPEB obligation	772
Adjustment to annual required contribution	<u>(1,116)</u>
Annual OPEB cost (expense)	14,502
Contributions made	<u>(1,248)</u>
Increase in net OPEB obligation	13,254
Net OPEB obligation - beginning of year	<u>52,536</u>
Net OPEB obligation - end of year	<u><u>\$ 65,790</u></u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2017 and the two preceding years were as follows:

Fiscal Year Ended	Annual OPEB Contribution Cost	Actual Contributions (pay-as-you-go)	Percentage Contributed	Net OPEB Obligation
June 30, 2017	\$ 14,502	\$ (1,248)	8.61%	\$ 65,790
June 30, 2016	\$ 23,691	\$ (8,501)	35.90%	\$ 52,536
June 30, 2015	\$ 22,450	\$ (4,406)	19.63%	\$ 37,346

As of July 1, 2016, the date of the most recent actuarial valuation, the actuarial accrued liability (AAL) for benefits was \$100,715, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$100,715. The covered payroll (annual payroll of active employees covered by the plan) was \$632,482 during fiscal year 2017, and the ratio of the UAAL to the covered payroll was 15.9%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Funding Progress for Other Postemployment Benefits Plan, presented as required supplementary information following the notes to the financial statements, is designed to present multiyear trend information about whether the actuarial value of the plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2016 actuarial valuation, the projected unit credit was used. The actuarial assumptions included a 4.0% investment rate of return per annum. The projected annual healthcare cost trend is 8% initially, reduced by decrements to an ultimate rate of 5.0% after four years. The UAAL is being amortized as a level dollar amount over an open basis. The remaining amortization period at June 30, 2017 was 30 years.

**NOTE 13 – ENCUMBRANCES**

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at June 30, 2017 and are as follows:

General fund:	
General government	\$ 3,100
Public safety	210
Total encumbrances	<u>\$ 3,310</u>

**NOTE 14 – GOVERNMENTAL ACTIVITIES NET POSITION**

Governmental activities net position reported on the government-wide Statement of Net Position at June 30, 2017 include the following:

Net investment in capital assets:	
Net property, buildings, and equipment	\$ 6,860,369
Less:	
General obligation bonds payable	(909,600)
Unamortized bond premiums	(34,260)
Capital leases payable	<u>(278,012)</u>
Total net investment in capital assets	<u>5,638,497</u>
Restricted:	
Dunbar Free Library	58,206
Nonexpendable permanent funds (principal balance)	44,496
Expendable permanent funds (income balance)	<u>16,294</u>
Total restricted net position	<u>118,996</u>
Unrestricted	<u>2,464,407</u>
Total net position	<u>\$ 8,221,900</u>

**NOTE 15 – GOVERNMENTAL FUND BALANCES**

Governmental fund balances reported on the fund financial statements at June 30, 2017 include the following:

<b>Nonspendable:</b>	
Major fund:	
General:	
Tax deeded property, held for resale	\$ 43,362
Nonmajor fund:	
Permanent - principal balance	<u>44,496</u>
Total nonspendable fund balance	\$ 87,858

*(continued)*

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*Governmental fund balances continued:*

<b>Restricted:</b>		
Major fund:		
General:		
Library	\$	58,206
Nonmajor fund:		
Permanent - income balance		16,294
Total restricted fund balance		74,500
<b>Committed:</b>		
Major fund:		
General:		
Expendable trust	\$	759,618
Voted appropriations - March 2017		405,000
		1,164,618
Nonmajor funds:		
Conservation Commission		53,768
Reclamation trust		66,896
Recreation revolving		13,966
		134,630
Total committed fund balance		1,299,248
<b>Assigned:</b>		
Major fund:		
General:		
Encumbrances	\$	3,310
Abatement contingency		30,000
Hastings recreation		710
Total assigned fund balance		34,020
<b>Unassigned:</b>		
Major fund:		
General		2,449,323
Total fund balance		\$ 3,944,949

**NOTE 16 – RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2017, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs. This entity is considered a public entity risk pool, currently operating as common risk management and insurance programs for member Towns and cities.

The New Hampshire Public Risk Management Exchange (Primex<sup>3</sup>) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2017 to June 30, 2017 by Primex<sup>3</sup>, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The estimated net contribution from the Town of Grantham billed and paid for the year ended June 30, 2017 was \$19,513 for workers' compensation and \$32,063 for property/liability.

**NOTE 17 – CONTINGENT LIABILITIES**

There are various legal claims and suits pending against the Town which arose in the normal course of the governments activities. In the opinion of management, the ultimate disposition of these various claims and suits will not have a material effect on the financial position of the town.

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
**AS OF AND FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

**NOTE 18 – SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through February 5, 2018, the date the June 30, 2017 financial statements were available to be issued, and no events occurred that require recognition or disclosure.

***REQUIRED SUPPLEMENTARY INFORMATION***

*EXHIBIT F*  
*TOWN OF GRANTHAM, NEW HAMPSHIRE*  
*Schedule of Funding Progress for Other Postemployment Benefit Plan*  
*For the Fiscal Year Ended June 30, 2017*

Fiscal Year	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
June 30, 2017	July 1, 2016	\$ -	\$ 100,715	\$ 100,715	0.00%	\$ 632,482	15.9%
June 30, 2016	July 1, 2013	\$ -	\$ 137,827	\$ 137,827	0.00%	\$ 669,787	20.6%
June 30, 2015	July 1, 2013	\$ -	\$ 121,698	\$ 121,698	0.00%	\$ 669,787	18.2%
June 30, 2014	July 1, 2013	\$ -	\$ 104,295	\$ 104,295	0.00%	\$ 669,787	15.6%

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

*EXHIBIT G*  
*TOWN OF GRANTHAM, NEW HAMPSHIRE*  
*Schedule of the Town's Proportionate Share of Net Pension Liability*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended June 30, 2017*

Fiscal Year	Valuation Date	Town's Proportion of Net Pension Liability	Proportionate Share of Net Pension Liability	Covered Payroll	Town Proportionate Share of Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
June 30, 2017	July 1, 2016	0.02707866%	\$ 1,439,934	\$ 680,101	211.72%	58.30%
June 30, 2016	July 1, 2015	0.02681654%	\$ 1,062,344	\$ 663,033	160.22%	65.47%
June 30, 2015	July 1, 2014	0.02843898%	\$ 1,067,482	\$ 669,787	159.38%	59.81%
June 30, 2014	July 1, 2013	0.02700020%	\$ 1,162,030	\$ 645,806	179.93%	66.32%

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

*EXHIBIT H*  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
*Schedule of Town Contributions*  
*New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan*  
*For the Fiscal Year Ended June 30, 2017*

Fiscal Year	Valuation Date	Contractually Required Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
June 30, 2017	July 1, 2016	\$ 96,963	\$ 96,963	\$ -	\$ 680,101	14.26%
June 30, 2016	July 1, 2015	\$ 89,966	\$ 89,966	\$ -	\$ 663,033	13.57%
June 30, 2015	July 1, 2014	\$ 92,263	\$ 92,263	\$ -	\$ 669,787	13.77%
June 30, 2014	July 1, 2013	\$ 67,137	\$ 67,137	\$ -	\$ 645,806	10.40%

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

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

**Schedule of Funding Progress for Other Postemployment Benefits (OPEB)**

As required by GASB Statement No. 45, Exhibit F represents the actuarial determined costs associated with the Town's other postemployment benefits for the fiscal year ended June 30, 2017 and preceding three years.

The GASB standard on accounting for postretirement benefits other than pensions requires the following disclosures in the financial statements with regard to the retiree benefit liability:

**Actuarial Assumptions and Methods:**

Amortization Method                      Level dollar amount over thirty (30) years on an open amortization period for pay-as-you-go.  
 Health Care Cost Trend Rates

<u>Year</u>	<u>Current</u>	<u>Prior</u>
1	8.00%	7.00%
2	7.00%	6.50%
3	6.00%	6.00%
4	5.00%	5.50%
5	5.00%	5.00%
Ultimate	5.00%	5.00%

Mortality Table                              RP-2014 Healthy Annuitant Mortality Table, projected with full generational mortality improvement using Scale MP-2015. For disabled lives, the RP-2014 Disabled Mortality Table, projected with full generational mortality improvement using Scale MP-2015.

Medical Plan Participation                80% of eligible retirees will elect to participate.

Dependent Status                            Male spouses are assumed to be three years older and female spouses are assumed to be three years younger than the retired employee.

50% of employees are assumed to retire with a covered spouse.

Medical Per Capita Costs                Annual per capita costs for the fiscal year beginning July 1, 2016 are as follows:

<u>Age</u>	<u>Male</u>	<u>Female</u>
Under 20	\$ 4,652	\$ 5,462.00
20-24	\$ 3,666	\$ 5,815.00
25-29	\$ 3,815	\$ 8,579.00
30-34	\$ 4,792	\$ 10,840.00
35-39	\$ 6,011	\$ 11,166.00
40-44	\$ 7,490	\$ 11,436.00
45-49	\$ 9,454	\$ 12,552.00
50-54	\$ 12,459	\$ 14,767.00
55-59	\$ 16,190	\$ 17,074.00
60-64	\$ 20,778	\$ 20,322.00

Retiree Contributions                      Annual per capita participant contributions for the fiscal year beginning July 1, 2016 are as follows:

<u>Age</u>	<u>Participant Contributions</u>
Under 65	\$15,338

Actuarial Cost Method                      Projected Unit Credit. The costs of each employee's postemployment benefits are allocated on a pro rata basis from the employee's date of hire to the date the employee is fully eligible for benefits.

**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2017**

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

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits G and H represent the actuarial determined costs associated with the Town's pension plan at June 30, 2017 and preceding three years.

**Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2016:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	23 Years beginning July 1, 2016 (30 years beginning July 1, 2009)
Asset Valuation Method	5-Year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.85% per year
Investment Rate of Return	7.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

**Other Information:**

Notes Contribution rates for Fiscal Year 2014 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.

***COMBINING AND INDIVIDUAL FUND SCHEDULES***

*SCHEDULE 1  
TOWN OF GRANTHAM, NEW HAMPSHIRE  
Major General Fund  
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)  
For the Fiscal Year Ended June 30, 2017*

	Estimated	Actual	Variance Positive (Negative)
<b>Taxes:</b>			
Property	\$ 2,093,160	\$ 2,148,338	\$ 55,178
Yield	750	8,274	7,524
Interest and penalties on taxes	30,000	39,766	9,766
Total from taxes	<u>2,123,910</u>	<u>2,196,378</u>	<u>72,468</u>
<b>Licenses, permits, and fees:</b>			
Business licenses, permits, and fees	200	675	475
Motor vehicle permit fees	650,000	764,899	114,899
Building permits	6,000	11,680	5,680
Other	17,000	20,291	3,291
Total from licenses, permits, and fees	<u>673,200</u>	<u>797,545</u>	<u>124,345</u>
<b>Intergovernmental:</b>			
State:			
Meals and rooms distribution	154,973	154,973	-
Highway block grant	66,510	66,509	(1)
Other	-	150	150
Federal:			
FEMA	-	23,453	23,453
Total from intergovernmental	<u>221,483</u>	<u>245,085</u>	<u>23,602</u>
<b>Charges for services:</b>			
Income from departments	<u>35,000</u>	<u>47,223</u>	<u>12,223</u>
<b>Miscellaneous:</b>			
Sale of municipal property	30,000	-	(30,000)
Interest on investments	50,000	58,998	8,998
Rent of property	10,000	1,700	(8,300)
Other	-	13,743	13,743
Total from miscellaneous	<u>90,000</u>	<u>74,441</u>	<u>(15,559)</u>
<b>Other financing sources:</b>			
Transfers in	<u>80,000</u>	<u>95,260</u>	<u>15,260</u>
Total revenues and other financing sources	3,223,593	<u>\$ 3,455,932</u>	<u>\$ 232,339</u>
Unassigned fund balance used to reduce tax rate	250,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 3,473,593</u>		

**SCHEDULE 2**  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**Major General Fund**  
*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2017*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 209,088	\$ 191,589	\$ 3,100	\$ 14,399
Election and registration	-	122,509	107,314	-	15,195
Financial administration	-	40,200	38,850	-	1,350
Revaluation of property	-	43,000	14,213	-	28,787
Legal	-	30,000	30,761	-	(761)
Personnel administration	-	605,855	517,031	-	88,824
Planning and zoning	-	10,300	4,467	-	5,833
General government buildings	-	117,635	95,199	-	22,436
Cemeteries	-	19,200	11,204	-	7,996
Insurance, not otherwise allocated	-	34,063	34,063	-	-
Advertising and regional associations	-	3,974	3,973	-	1
Other	-	1,000	320	-	680
Total general government	-	1,236,824	1,048,984	3,100	184,740
Public safety:					
Police	34,789	416,086	414,769	210	35,896
Ambulance	-	80,450	75,244	-	5,206
Fire	-	127,206	94,237	-	32,969
Building inspection	-	8,500	3,788	-	4,712
Emergency management	-	12,000	6,109	-	5,891
Total public safety	34,789	644,242	594,147	210	84,674
Highways and streets:					
Public works garage	-	228,430	195,258	-	33,172
Highways and streets	-	158,200	145,895	-	12,305
Street lighting	-	5,000	3,867	-	1,133
Total highways and streets	-	391,630	345,020	-	46,610
Sanitation:					
Solid waste collection	-	137,600	114,442	-	23,158
Solid waste disposal	-	207,000	146,569	-	60,431
Solid waste clean-up	-	8,000	5,898	-	2,102
Total sanitation	-	352,600	266,909	-	85,691
Health:					
Administration	-	1,700	57	-	1,643
Pest control	-	700	500	-	200
Health agencies	-	16,900	16,900	-	-
Total health	-	19,300	17,457	-	1,843
Welfare:					
Direct assistance	-	25,000	4,645	-	20,355
Culture and recreation:					
Parks and recreation	-	47,450	40,932	-	6,518
Library	-	145,090	144,822	-	268
Patriotic purposes	-	34,850	29,544	-	5,306
Other	-	1,500	96	-	1,404
Total culture and recreation	-	228,890	215,394	-	13,496
Conservation	-	4,400	3,606	-	794

*SCHEDULE 2 (Continued)*  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
*Major General Fund*

*Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)*  
*For the Fiscal Year Ended June 30, 2017*

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	189,617	182,072	-	7,545
Interest on long-term debt	-	40,755	47,250	-	(6,495)
Interest on tax anticipation notes	-	100	-	-	100
Total debt service	-	230,472	229,322	-	1,150
Capital outlay	400,000	169,345	398,360	-	170,985
Other financing uses:					
Transfers out	-	170,890	170,890	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	<u>\$ 434,789</u>	<u>\$ 3,473,593</u>	<u>\$ 3,294,734</u>	<u>\$ 3,310</u>	<u>\$ 610,338</u>

**SCHEDULE 3**  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
**Major General Fund**  
**Schedule of Changes in Unassigned Fund Balance**  
**For the Fiscal Year Ended June 30, 2017**

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 2,271,998
Changes:		
Unassigned fund balance used to reduce 2017 tax rate		(250,000)
2017 Budget summary:		
Revenue surplus (Schedule 1)	\$ 232,339	
Unexpended balance of appropriations (Schedule 2)	<u>610,338</u>	
2017 Budget surplus		842,677
Increase in nonspendable fund balance		(11,937)
Increase in committed fund balance (non-encumbrances)		(405,000)
Increase in assigned fund balance (non-encumbrances)		<u>(30,000)</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		2,417,738
<b><i>Reconciliation of Non-GAAP Budgetary Basis to GAAP Basis:</i></b>		
To record deferred inflows of property taxes for 60 day revenue recognition		(70,415)
To remove allowance for uncollectible property taxes, recognized on a budgetary basis, but not on a GAAP basis		<u>102,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 2,449,323</u></u>

**SCHEDULE 4**  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
*Combining Balance Sheet*  
*June 30, 2017*

	Special Revenue Funds				Total
	Conservation Commission	Reclamation Trust	Recreation Revolving	Permanent Fund	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 54,288	\$ 66,896	\$ 13,966	\$ 60,790	\$ 195,940
<b>LIABILITIES</b>					
Interfund payable	\$ 520	\$ -	\$ -	\$ -	\$ 520
<b>FUND BALANCES</b>					
Nonspendable	-	-	-	44,496	44,496
Restricted	-	-	-	16,294	16,294
Committed	53,768	66,896	13,966	-	134,630
Total fund balances	53,768	66,896	13,966	60,790	195,420
Total liabilities and fund balances	\$ 54,288	\$ 66,896	\$ 13,966	\$ 60,790	\$ 195,940

**SCHEDULE 5**  
**TOWN OF GRANTHAM, NEW HAMPSHIRE**  
*Nonmajor Governmental Funds*  
**Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances**  
**For the Fiscal Year Ended June 30, 2017**

	Special Revenue Funds				Total
	Conservation Commission	Reclamation Trust	Recreation Revolving	Permanent Fund	
<b>REVENUES</b>					
Charges for services	\$ -	\$ 8,718	\$ 15,136	\$ -	\$ 23,854
Miscellaneous	653	713	4,995	1,991	8,352
Total revenues	<u>653</u>	<u>9,431</u>	<u>20,131</u>	<u>1,991</u>	<u>32,206</u>
<b>EXPENDITURES</b>					
Current:					
Culture and recreation	-	-	12,327	-	12,327
Conservation	1,044	-	-	-	1,044
Capital outlay	-	3,339	-	-	3,339
Total expenditures	<u>1,044</u>	<u>3,339</u>	<u>12,327</u>	<u>-</u>	<u>16,710</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(391)</u>	<u>6,092</u>	<u>7,804</u>	<u>1,991</u>	<u>15,496</u>
<b>OTHER FINANCING USES</b>					
Transfers out	-	-	-	(15,260)	(15,260)
Net change in fund balances	(391)	6,092	7,804	(13,269)	236
Fund balances, beginning	54,159	60,804	6,162	74,059	195,184
Fund balances, ending	<u>\$ 53,768</u>	<u>\$ 66,896</u>	<u>\$ 13,966</u>	<u>\$ 60,790</u>	<u>\$ 195,420</u>