

**TOWN OF HOLLIS, NEW HAMPSHIRE**  
**Annual Financial Statements**  
**For the Year Ended December 31, 2017**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Hollis, New Hampshire

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

### Report on the Financial Statements

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

### Management's Responsibility for the Financial Statements

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

### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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 Town'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 Town'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, each major fund, and the aggregate remaining fund information of the Town of Hollis, New Hampshire, as of December 31, 2017, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, and the Pension and OPEB schedules appearing on pages 43 to 45, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

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

In accordance with Government Auditing Standards, we have also issued our report dated June 8, 2018 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report

is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Town's internal control over financial reporting and compliance.

*Melanson Heath*

June 8, 2018

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

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

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

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

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

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

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

The government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities include general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, and conservation.

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

**Governmental funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available

at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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

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

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

## **B. FINANCIAL HIGHLIGHTS**

- As of the close of the current year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$29,935,643 (i.e., net position), a change of \$661,470 in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$7,427,189, a change of \$1,000,593 in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$3,966,178, a change of \$637,787 in comparison to the prior year.

### C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior years.

	<u>NET POSITION</u>	
	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
Assets:		
Current and other assets	\$ 16,819,907	\$ 14,432,269
Capital assets	<u>39,872,438</u>	<u>36,044,391</u>
Total assets	56,692,345	50,476,660
Deferred outflows	<u>1,374,441</u>	<u>2,318,836</u>
Total assets and deferred outflows	<u>\$ 58,066,786</u>	<u>\$ 52,795,496</u>
Liabilities:		
Current liabilities	\$ 9,089,308	\$ 7,538,697
Noncurrent liabilities	<u>18,788,288</u>	<u>15,874,656</u>
Total liabilities	27,877,596	23,413,353
Deferred inflows	253,547	107,970
Net position:		
Net investment in capital assets	30,079,632	29,998,053
Restricted	2,423,515	1,897,123
Unrestricted	<u>(2,567,504)</u>	<u>(2,621,003)</u>
Total net position	<u>29,935,643</u>	<u>29,274,173</u>
Total liabilities, deferred inflows, and net position	<u>\$ 58,066,786</u>	<u>\$ 52,795,496</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$29,935,643, a change of \$661,470.

The largest portion of net position, \$30,079,632, reflects our investment in capital assets (e.g., land, buildings and improvements, machinery, equipment, and furnishings, infrastructure, and construction in progress), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$2,423,515, represents resources that are subject to external restrictions on how they may be used.

Unrestricted net position has a negative balance of \$(2,567,504), resulting primarily from the adoption of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions* during fiscal year 2015. This statement established standards for the measurement, recognition, and presentation of net position liability in the Town's financial statements. Net pension liabilities recorded on the statement of net position in accordance with GASB Statement No. 68 totaled \$7,661,348 at December 31, 2017.

CHANGE IN NET POSITION

	Governmental Activities	
	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues:		
Charges for services	\$ 761,347	\$ 682,899
Operating grants and contributions	8,877	4,800
Capital grants and contributions	418,360	285,124
General revenues:		
Property taxes	7,114,601	7,145,607
Licenses and permits	1,994,463	1,896,170
Penalties, interest, and other taxes	211,452	195,590
Grants and contributions not restricted to specific programs	400,805	400,999
Investment income	152,958	102,240
Miscellaneous	58,267	73,427
Total revenues	<u>11,121,130</u>	<u>10,786,856</u>
Expenses:		
General government	3,583,585	3,502,395
Public safety	3,589,130	3,662,526
Highways and streets	2,042,952	1,991,946
Sanitation	468,741	469,708
Health and welfare	47,501	48,289
Culture and recreation	426,537	480,168
Conservation	11,847	11,181
Interest	289,367	185,558
Total expenses	<u>10,459,660</u>	<u>10,351,771</u>
Change in net position	661,470	435,085
Net position - beginning of year	<u>29,274,173</u>	<u>28,839,088</u>
Net position - end of year	<u>\$ 29,935,643</u>	<u>\$ 29,274,173</u>

**Governmental activities.** Governmental activities for the year resulted in a change in net position of \$661,470. Key elements of this change are as follows:

General fund revenues in excess of expenditures	\$ 671,569
Increase in net pension liability	889,047
Decrease in pension related deferred inflows and outflows of resources	(1,077,115)
Other	<u>177,969</u>
Total	<u>\$ 661,470</u>

**D. FINANCIAL ANALYSIS OF THE GOVERNMENT’S FUNDS**

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$7,427,189, a change of \$1,000,593 in comparison to the prior year. Key elements of this change are as follows:

General fund revenues and other financing sources over expenditures and other financing uses	\$ 428,515
Ambulance fund revenues over expenditures	104,608
Conservation fund revenues over expenditures	91,703
Block grant fund revenues over expenditures	192,345
Permanent trust funds revenues over expenditures	105,475
Other	<u>77,947</u>
Total	<u>\$ 1,000,593</u>

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$3,966,178, while total fund balance was \$4,998,378. As a measure of the general fund’s liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/17</u>	<u>12/31/16</u>	<u>Change</u>	<u>Percentage of Total Town, School, and County Appropriations</u>
Unassigned fund balance	\$ 3,966,178	\$ 3,328,391	\$ 637,787	13%
Total fund balance	\$ 4,998,378	\$ 4,569,863	\$ 428,515	16%

The fund balance of the general fund changed by \$428,515 during the current year. Key factors in this change are as follows:

Use of unassigned fund balance	\$ (359,000)
Use of assigned fund balance	(153,310)
Revenues greater than budget	215,571
Expenditures less than budget	355,560
Current year appropriation carryforwards	44,753
Change in capital reserve funds	69,954
Bond issuance costs	(43,335)
Taxes collected in excess of budget	<u>298,322</u>
Total	<u>\$ 428,515</u>

Included in the total general fund balance are the Town's capital reserve funds with an ending balance of \$349,162, a change of \$69,954 in comparison to the prior year.

**E. GENERAL FUND BUDGETARY HIGHLIGHTS**

Differences between the original budget and the final amended budget resulted in an overall change in appropriations of \$153,310. This change relates to a carryforward from the prior year budget that was expended in the current year.

The difference between the final amended budget and actual results is a positive variance of \$571,131 with revenues and other sources over estimated budgets by \$215,571 and expenditures and other uses less than the estimated budget by \$355,560. Significant variances include:

- Positive variance in Licenses and Permits of \$105,480 is mainly attributed to motor vehicle permits with an excess of \$83,594 over budget. This is due to an increase in motor vehicle registrations.
- Positive variance in General Government of \$194,127 is mainly attributed to savings in health insurance and unexpended funds in our contingency fund account.

**F. CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital assets.** Total investment in capital assets for governmental activities at year-end amounted to \$39,872,438 (net of accumulated depreciation), a change of \$3,828,047 from the prior year. This investment in capital assets includes land, buildings and improvements, machinery, equipment, and furnishings, infrastructure, and construction in progress.

Major capital asset events during the current fiscal year included the following:

- Acquisition of conservation land for \$4,571,000

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

**Credit rating.** The Town maintained the Moody Investor Services rating of Aa2 during the year. The prior year rating upgrade reflected the Town's moderately-sized tax base with above average wealth levels, manageable debt burden, and a multiple year trend of improving financial operations and healthy reserves.

**Long-term debt.** At the end of the current year, total bonded debt outstanding was \$9,604,000, all of which was backed by the full faith and credit of the government. The Town did not issue any new debt during the year.

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

## **REQUESTS FOR INFORMATION**

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

Office of the Finance Director  
Town of Hollis, New Hampshire  
7 Monument Square  
Hollis, New Hampshire 03049

TOWN OF HOLLIS, NEW HAMPSHIRE  
STATEMENT OF NET POSITION  
DECEMBER 31, 2017

	Governmental <u>Activities</u>
<b>ASSETS</b>	
Current:	
Cash and short-term investments	\$ 14,853,432
Investments	1,046,522
Receivables:	
Property taxes	532,878
Departmental and other	49,379
Intergovernmental	62,713
Other assets	<u>154,288</u>
Total current assets	16,699,212
Noncurrent:	
Receivables:	
Property taxes, net of allowance for uncollectibles	120,695
Capital assets:	
Land and construction in progress	27,164,530
Other capital assets, net of accumulated depreciation	<u>12,707,908</u>
Total noncurrent assets	<u>39,993,133</u>
Total Assets	56,692,345
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to pensions	1,143,012
Other	<u>231,429</u>
Total deferred outflows of resources	<u>1,374,441</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	<b>\$ <u>58,066,786</u></b>
<b>LIABILITIES</b>	
Current:	
Accounts payable	\$ 140,092
Due to school districts	6,569,792
Accrued expenses	128,067
Unearned revenue	1,630,393
Other liabilities	479,705
Accrued interest payable	141,259
Current portion of noncurrent liabilities:	
Bonds payable	1,158,000
Compensated absences	27,284
Capital leases	<u>180,915</u>
Total current liabilities	10,455,507
Noncurrent:	
Bonds payable, net of current portion	8,446,000
Compensated absences, net of current portion	245,551
Capital leases, net of current portion	239,320
Net OPEB obligation	829,870
Net pension liability	<u>7,661,348</u>
Total noncurrent liabilities	<u>17,422,089</u>
Total Liabilities	27,877,596
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to pensions	253,547
<b>NET POSITION</b>	
Net investment in capital assets	30,079,632
Restricted externally or constitutionally for:	
Grants and enabling legislation	1,425,667
Permanent funds:	
Nonspendable	647,538
Spendable	350,310
Unrestricted	<u>(2,567,504)</u>
Total Net Position	<u>29,935,643</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>	<b>\$ <u>58,066,786</u></b>

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

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

		Program Revenues			Net (Expenses) Revenues
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>Governmental Activities:</b>					
General government	\$ 3,583,585	\$ 157,077	\$ -	\$ -	\$ (3,426,508)
Public safety	3,589,130	495,714	-	-	(3,093,416)
Highways and streets	2,042,952	10,150	-	418,360	(1,614,442)
Sanitation	468,741	48,315	-	-	(420,426)
Health and welfare	47,501	300	-	-	(47,201)
Culture and recreation	426,537	49,791	8,877	-	(367,869)
Conservation	11,847	-	-	-	(11,847)
Interest	289,367	-	-	-	(289,367)
Total	<u>\$ 10,459,660</u>	<u>\$ 761,347</u>	<u>\$ 8,877</u>	<u>\$ 418,360</u>	<u>(9,271,076)</u>
<b>General Revenues and Contributions:</b>					
					7,114,601
					1,994,463
					211,452
					400,805
					152,958
					58,267
					9,932,546
					661,470
<b>Net Position:</b>					
					29,274,173
					\$ 29,935,643

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

TOWN OF HOLLIS, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2017

	General <u>Fund</u>	Land Acquisition <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>				
Cash and short-term investments	\$ 13,669,626	\$ -	\$ 1,183,806	\$ 14,853,432
Investments	-	-	1,046,522	1,046,522
Receivables:				
Property taxes	706,573	-	-	706,573
Departmental and other	-	-	49,378	49,378
Intergovernmental	62,713	-	-	62,713
Due from other funds	47,063	60,665	192,345	300,073
Other assets	154,288	-	-	154,288
TOTAL ASSETS	<u>\$ 14,640,263</u>	<u>\$ 60,665</u>	<u>\$ 2,472,051</u>	<u>\$ 17,172,979</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 132,752	\$ -	\$ 7,339	\$ 140,091
Accrued expenses	128,067	-	-	128,067
Due to school districts	6,569,792	-	-	6,569,792
Due to other funds	252,886	-	47,187	300,073
Unearned revenue	1,630,393	-	-	1,630,393
Other liabilities	479,704	-	-	479,704
TOTAL LIABILITIES	9,193,594	-	54,526	9,248,120
Deferred Inflows of Resources:				
Unavailable revenues	448,291	-	49,379	497,670
Fund Balances:				
Nonspendable	154,288	-	647,538	801,826
Restricted	-	60,665	1,720,608	1,781,273
Committed	549,162	-	-	549,162
Assigned	328,750	-	-	328,750
Unassigned	3,966,178	-	-	3,966,178
TOTAL FUND BALANCES	<u>4,998,378</u>	<u>60,665</u>	<u>2,368,146</u>	<u>7,427,189</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 14,640,263</u>	<u>\$ 60,665</u>	<u>\$ 2,472,051</u>	<u>\$ 17,172,979</u>

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

TOWN OF HOLLIS, NEW HAMPSHIRE

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

DECEMBER 31, 2017

<b>Total governmental fund balances</b>	\$ 7,427,189
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	39,872,438
• Property taxes and other revenues are recognized on the accrual basis of accounting in the Statement of Net Position, not the modified accrual basis	444,669
• Deferred outflows and inflows of resources related to pension and bond refunding are not financial resources nor are they available to pay current-period expenditures. Outflows and inflows consist of:	
Pension related deferred outflows	1,143,012
Bond refunding deferred outflows	231,429
Pension related deferred inflows	(253,547)
• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(141,259)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds. Long-term liabilities at year end consist of:	
Bonds payable	(9,604,000)
Compensated absences	(272,835)
Capital leases	(420,235)
Net OPEB obligation	(829,870)
Net pension liability	<u>(7,661,348)</u>
<b>Net position of governmental activities</b>	<b>\$ <u>29,935,643</u></b>

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

TOWN OF HOLLIS, NEW HAMPSHIRE  
GOVERNMENTAL FUNDS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
FOR THE YEAR ENDED DECEMBER 31, 2017

	General Fund	Land Acquisition Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Property taxes	\$ 7,084,449	\$ -	\$ 117,959	\$ 7,202,408
Penalties, interest, and other taxes	211,452	-	-	211,452
Licenses and permits	2,131,255	-	-	2,131,255
Charges for services	360,243	-	255,322	615,565
Intergovernmental	626,820	-	201,222	828,042
Investment income	41,028	-	111,931	152,959
Miscellaneous	58,269	-	-	58,269
	<u>10,513,516</u>	<u>-</u>	<u>686,434</u>	<u>11,199,950</u>
<b>Total Revenues</b>				
<b>Expenditures:</b>				
Current:				
General government	3,459,869	-	8,282	3,468,151
Public safety	3,051,482	-	73,527	3,125,009
Highways and streets	1,730,733	-	-	1,730,733
Sanitation	468,741	-	-	468,741
Health and welfare	47,463	-	39	47,502
Culture and recreation	166,317	-	367,715	534,032
Conservation	-	-	11,847	11,847
Debt service:				
Principal	695,000	-	-	695,000
Interest	191,762	-	-	191,762
Capital outlay	30,580	4,571,000	-	4,601,580
	<u>9,841,947</u>	<u>4,571,000</u>	<u>461,410</u>	<u>14,874,357</u>
<b>Total Expenditures</b>				
Excess (deficiency) of revenues over expenditures	671,569	(4,571,000)	225,024	(3,674,407)
<b>Other Financing Sources (Uses):</b>				
Issuance of long-term debt	-	4,675,000	-	4,675,000
Transfers in	46,288	-	297,529	343,817
Transfers out	(289,342)	(43,335)	(11,140)	(343,817)
	<u>(243,054)</u>	<u>4,631,665</u>	<u>286,389</u>	<u>4,675,000</u>
<b>Total Other Financing Sources (Uses)</b>				
Change in fund balance	428,515	60,665	511,413	1,000,593
Fund Balance, at Beginning of Year	4,569,863	-	1,856,733	6,426,596
Fund Balance, at End of Year	<u>\$ 4,998,378</u>	<u>\$ 60,665</u>	<u>\$ 2,368,146</u>	<u>\$ 7,427,189</u>

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

TOWN OF HOLLIS, NEW HAMPSHIRE

RECONCILIATION OF THE STATEMENT OF REVENUES  
EXPENDITURES, AND CHANGES IN FUND BALANCES OF  
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2017

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 1,000,593</b>																						
<ul style="list-style-type: none"> <li>• Governmental funds report outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table border="0" style="margin-left: 40px;"> <tr> <td>Capitalized costs</td> <td style="text-align: right;">4,736,921</td> </tr> <tr> <td>Depreciation</td> <td style="text-align: right;">(908,874)</td> </tr> </table> </li> <li>• Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., property taxes) differ between the two statements. <span style="float: right;">(78,822)</span></li> <li>• The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position: <table border="0" style="margin-left: 40px;"> <tr> <td>Repayment of bonds</td> <td style="text-align: right;">695,000</td> </tr> <tr> <td>Amortization of gain on refunding</td> <td style="text-align: right;">(12,857)</td> </tr> <tr> <td>Issuance of bonds</td> <td style="text-align: right;">(4,675,000)</td> </tr> <tr> <td>Repayment of capital leases</td> <td style="text-align: right;">246,389</td> </tr> </table> </li> <li>• In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due. <span style="float: right;">(84,746)</span></li> <li>• Some expenses reported in the Statement of Activities, such as compensated absences, net pension liability and net OPEB obligation, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. <table border="0" style="margin-left: 40px;"> <tr> <td>Net pension liability</td> <td style="text-align: right;">889,047</td> </tr> <tr> <td>Pension related deferred outflows of resources</td> <td style="text-align: right;">(931,538)</td> </tr> <tr> <td>Pension related deferred inflows of resources</td> <td style="text-align: right;">(145,577)</td> </tr> <tr> <td>Compensated absences</td> <td style="text-align: right;">(2,959)</td> </tr> <tr> <td>Net OPEB obligation</td> <td style="text-align: right;"><u>(66,107)</u></td> </tr> </table> </li> </ul>		Capitalized costs	4,736,921	Depreciation	(908,874)	Repayment of bonds	695,000	Amortization of gain on refunding	(12,857)	Issuance of bonds	(4,675,000)	Repayment of capital leases	246,389	Net pension liability	889,047	Pension related deferred outflows of resources	(931,538)	Pension related deferred inflows of resources	(145,577)	Compensated absences	(2,959)	Net OPEB obligation	<u>(66,107)</u>
Capitalized costs	4,736,921																						
Depreciation	(908,874)																						
Repayment of bonds	695,000																						
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Pension related deferred inflows of resources	(145,577)																						
Compensated absences	(2,959)																						
Net OPEB obligation	<u>(66,107)</u>																						
<b>Change in net position of governmental activities</b>	<b>\$ <u>661,470</u></b>																						

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

TOWN OF HOLLIS, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2017

	Budgeted Amounts			Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original Budget	From Prior Years' Budgets	Final Budget		
<b>Revenues and Other Sources:</b>					
Property taxes	\$ 6,786,128	\$ -	\$ 6,786,128	\$ 6,786,128	\$ -
Penalties, interest, and other taxes	158,130	-	158,130	211,452	53,322
Licenses and permits	2,025,775	-	2,025,775	2,131,255	105,480
Charges for services	341,580	-	341,580	360,243	18,663
Intergovernmental	625,495	-	625,495	626,820	1,325
Investment income	23,000	-	23,000	37,625	14,625
Miscellaneous	24,200	-	24,200	58,269	34,069
Transfers in	58,200	-	58,200	46,287	(11,913)
Use of fund balance	359,000	153,310	512,310	512,310	-
Total Revenues and Other Sources	10,401,508	153,310	10,554,818	10,770,389	215,571
<b>Expenditures and Other Uses:</b>					
Current:					
General government	3,544,128	2,000	3,546,128	3,352,001	194,127
Public safety	3,109,757	-	3,109,757	3,070,782	38,975
Highways and streets	1,786,628	-	1,786,628	1,730,733	55,895
Sanitation	481,772	-	481,772	468,741	13,031
Health and welfare	60,800	-	60,800	47,463	13,337
Culture and recreation	46,650	120,730	167,380	166,317	1,063
Conservation	1	-	1	-	1
Debt service:					
Principal	695,000	-	695,000	695,000	-
Interest	148,430	-	148,430	148,430	-
Capital outlay	-	30,580	30,580	30,580	-
Transfers out	528,342	-	528,342	489,211	39,131
Total Expenditures and Other Uses	10,401,508	153,310	10,554,818	10,199,258	355,560
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ -	\$ -	\$ -	\$ 571,131	\$ 571,131

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

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

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and short-term investments	\$ 251,507
Investments	<u>457,539</u>
Total Assets	<u><u>\$ 709,046</u></u>
<b>LIABILITIES</b>	
Other liabilities	<u>\$ 709,046</u>
Total Liabilities	<u><u>\$ 709,046</u></u>

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

# TOWN OF HOLLIS, NEW HAMPSHIRE

## Notes to Financial Statements

### 1. Summary of Significant Accounting Policies

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

#### A. Reporting Entity

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

#### B. Government-wide and Fund Financial Statements

##### Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. The effect of interfund activity has been removed from these statements.

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

##### Fund Financial Statements

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

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

Government-wide Financial Statements

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

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

Fund Financial Statements

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

The Town reports the following major governmental fund:

- The *general fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Land Acquisition* fund is used to account for the Town's ongoing capital projects.

The *agency fund* accounts for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

*D. Cash and Short-Term Investments*

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

Deposits with financial institutions consist primarily of demand deposits, money markets, and savings accounts. A cash and investment 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 short-term investments". The interest earnings attributable to each fund type are included under investment income.

*E. Investments*

State and local statutes place certain limitations on the nature of deposits and investments available. Investments are carried at fair value.

*F. Interfund Receivables and Payables*

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as "due from/to other funds" (i.e., the current portion of interfund loans) or "advance to/from other funds" (i.e., the non-current portion of interfund loans).

*G. Capital Assets*

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

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings and improvements	5 - 40
Machinery, equipment, and furnishings	5 - 20
Infrastructure	50

*H. Compensated Absences*

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

*I. Long-Term Obligations*

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

*J. Fund Equity*

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

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

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

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by

creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

**K. Fund Balance Policy**

The Town's fund balance policy describes the appropriate level of unassigned fund balance reserve to be consistent with the NH Department of Revenue Administration (DRA) and the Government Finance Officer Association (GFOA) guidelines:

1. DRA – Recommends retaining 5% to 10% of the gross general fund operating expenditures, including Town, School, and County appropriations. Unassigned fund balance is reported on the budgetary basis for tax rate setting purposes (see Note 15), which includes all property tax revenues that otherwise would have been deferred under the modified accrual basis. At December 31, 2017, unassigned fund balance on the budgetary basis was 15% Town, School, and County appropriations.
2. GFOA – Recommends retaining 8% to 17% of the gross general fund operating expenditures, including Town, School, and County appropriations. At December 31, 2017, unassigned fund balance was 13% of Town, School, and County appropriations.

**L. Use of Estimates**

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

**2. Stewardship, Compliance and Accountability**

**A. Budgetary Information**

The Town's budget is originally prepared by the Board of Selectmen with the cooperation of the various department heads. It is then submitted to the Budget Committee, in accordance with the Municipal Budget Law. After reviewing the budget, the Committee holds a public hearing for discussion. The final version of the budget is then submitted for approval at the Annual Town Meeting. The approved budget is subsequently reported to the State of New Hampshire on the statement of appropriation form in order to establish the current property tax rate.

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

**B. Budgetary Basis**

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

**C. Budget/GAAP Reconciliation**

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

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

<u>General Fund</u>	<u>Revenues and Other Financing Sources</u>	<u>Expenditures and Other Financing Uses</u>
Revenues/Expenditures (GAAP basis)	\$ 10,513,516	\$ 9,841,947
Other financing sources/uses (GAAP basis)	<u>46,288</u>	<u>289,342</u>
Subtotal (GAAP Basis)	10,559,804	10,131,289
Adjust tax revenue to accrual basis	(298,322)	-
Add 2017 appropriation carryforwards to expenditures	-	44,753
To reverse bond issuance costs	-	(43,335)
Reverse capital reserve fund activity	(3,403)	66,551
To record use of assigned fund balance	153,310	-
To record use of unassigned fund balance	<u>359,000</u>	<u>-</u>
Budgetary Basis	<u>\$ 10,770,389</u>	<u>\$ 10,199,258</u>

**3. Cash**

*Custodial Credit Risk - Deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. RSA 48:16 limits “deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a Town with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank.”

The Town limits investments to the following:

- Checking accounts
- Short-term obligations of U.S. Government and State of New Hampshire agencies approved for investment purposes by the Board of Selectmen
- Fully insured or collateralized certificates of deposits
- Repurchase agreements fully collateralized by U.S. Treasury Securities
- New Hampshire Public Deposit Investment Pool

Trustees of Trust Funds has the following asset allocation policy:

	General Trust <u>Funds</u>	Charles J. Nichols <u>Fund</u>
Equities	55 - 65%	35 - 45%
Fixed income	35 - 45%	55 - 65%
Cash and cash equivalents	0 - 5%	0 - 5%

Assets of the Trust Funds may only be invested in accordance with the relevant RSA sections. RSA 35:9 specifies that Capital Reserves may only be deposited in banking institutions either domiciled or doing business under the laws of the State of N.H. or of the U.S. Government. Likewise, RSA 31:25 specifies that General Trust Funds may only be deposited in banking institutions as stated above. However, in addition to those investments specified for Capital Reserves, General Trust Funds may also be invested in those stocks, bonds and mutual funds that may be invested in by the N.H. Savings Banks or as specified by the State Banking Commission.

As of December 31, 2017, the Town's cash bank balance was \$18,398,921. Of the balance, \$146,921 was exposed to custodial credit risk as uninsured or uncollateralized and \$611,235 was invested in the New Hampshire Public Deposit Investment Pool (NHPDIP) which is exempt from disclosure.

The Town is a voluntary participant in the NHPDIP. The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by state law and is administered by a public body of state, local and banking officials.

Investments in the NHPDIP are not investment securities and, as such, are not categorized by risk. The Town's exposure to derivatives is indirect through its participation in the NHPDIP. The Town's proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the value of the pool shares. In accordance with GASB 79, the pool's portfolio securities are valued at amortized cost.

*Custodial Credit Risk - Investments.* Custodial credit risk for investments is the risk that in the event of a failure of the counterparty (e.g., broker-dealer)

to a transaction, a government will not be able to recover the value of the investment or collateral securities that are in the possession of another party. The Town's investments are exposed to custodial credit risk. The risk is managed for \$1,441,511 as they are held in separately identifiable trust funds with individual CUSIP numbers and \$62,551 is covered by SIPC.

#### 4. Investments

##### A. Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment.

Per the Trustees of Trust Funds investment policy, all individual fixed income securities shall have a minimum quality rating of "BBB".

Table below includes the actual rating as of year-end for the Town's investment in the debt related securities in comparison to the minimum required per the policy, converted to Moody's grading system:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Minimum Rating</u>	<u>Rating as of Year-end</u>			<u>Effective Duration</u>
			<u>Aaa</u>	<u>Aa1 - A3</u>	<u>Baa1 - Baa3</u>	
Corporate equities	\$ 356,825					
Equity mutual funds	500,361					
Debt related securities:						
Corporate bonds	45,971	Baa2	\$ -	\$ 45,971	\$ -	0.59
Governmental bonds	20,886	Baa2	20,887	-	-	2.63
Fixed income mutual funds	<u>580,018</u>	Baa2	<u>239,569</u>	<u>163,736</u>	<u>176,714</u>	4.12
Total investments	<u>\$ 1,504,061</u>		<u>\$ 260,456</u>	<u>\$ 209,707</u>	<u>\$ 176,714</u>	

##### B. Concentration of Credit Risk

Per the Trustees of Trust Funds investment policy, investments in fixed income securities shall not exceed 10 percent except obligations of the United States and/or of the State of New Hampshire and its subdivisions.

Additionally, a majority of the equity investments should be in companies exceeding market capitalization of \$15 billion including:

- The exposure to any single company will not exceed 10 percent.
- The size of each investment not to exceed 10 percent.
- The maximum exposure to any single industry or market sector will not exceed 25 percent.
- Allowable investments include stocks, mutual funds and exchange traded funds.

The Town does not have investments with one issuer that represent 5% or more of total investments, other than mutual funds.

C. Interest Rate Risk

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

D. Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have any foreign investments.

E. Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72). The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The Town has the following fair value measurements as of December 31, 2017:

<u>Description</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Debt securities:				
Corporate bonds	\$ 45,971	\$ -	\$ 45,971	\$ -
Governmental bonds	20,886	-	20,886	-
Nongovernmental fixed income	580,018	-	580,018	-
Equity securities:				
Capital goods	74,234	74,234	-	-
Finance	71,595	71,595	-	-
Utilities	50,534	50,534	-	-
Energy	49,563	49,563	-	-
Healthcare	45,122	45,122	-	-
Consumer staples	37,347	37,347	-	-
Consumer cyclical	28,430	28,430	-	-
Mutual funds	500,361	500,361	-	-
Total	\$ <u>1,504,061</u>	\$ <u>857,186</u>	\$ <u>646,875</u>	\$ <u>-</u>

## 5. Taxes and Excises Receivable

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

Property taxes are due on July 1 and December 1. Delinquent accounts are charged 12% interest. At the time of tax sale, in March of the next year, a lien is recorded on the property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs and accrued interest. The accounts that are liened by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%. The Town annually budgets an amount (overlay for abatements) for property tax abatements and refunds.

Property taxes receivable reported in the government-wide financial statements are net of an allowance for doubtful accounts of \$53,000.

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

Property taxes:	
2017 levy	\$ 470,751
Unredeemed taxes:	
2016 levy	91,906
2015 levy	43,481
2014 levy	14,781
2013 levy	12,049
2012 levy	4,741
2011 levy	4,426
2010 levy	2,312
Land use tax	61,500
Yield tax	<u>626</u>
Total	<u>\$ 706,573</u>

## Taxes Collected for Others

The Town collects property taxes for the Hollis School District, the Hollis Brookline Co-op, and the County of Hillsborough, New Hampshire. Payments to the other taxing units are normally made throughout the year. The ultimate responsibility for the collection of taxes rests with the Town.

## 6. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in 2017.

**7. Interfund Fund Receivables/Payables**

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the December 31, 2017 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 47,063	\$ 252,886
Nonmajor Governmental Funds:		
Capital Project Fund:		
Land acquisition	60,665	-
Special Revenue Funds:		
Highway block grant	192,345	-
Library	-	47,063
Police private details	-	124
Total	<u>\$ 300,073</u>	<u>\$ 300,073</u>

The Town reports interfund transfers between many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental financial statements. The following is an analysis of the interfund transfers made in fiscal year 2017:

<u>Fund</u>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 46,288	\$ 289,342
Nonmajor Governmental Funds:		
Capital Project Fund:		
Land acquisition	-	43,335
Special Revenue Fund:		
Ambulance	615	-
Library	295,061	-
Zylonis	1,853	-
Pearl Rideout - Library	-	3,956
Permanent Trust Funds:		
Library	-	1,763
Charles Zylonis - Library	-	1,853
Public Welfare	-	155
Nichols Field Horse Ring	-	71
Ambulance	-	615
Charles J. Nichols	-	2,727
Total	<u>\$ 343,817</u>	<u>\$ 343,817</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) to move interest income between funds. Additionally, the \$295,061 transfer from the general fund to the library special revenue fund represents the annual funding of operations of the Library.

## 8. Capital Assets

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental Activities:</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 10,397	\$ 121	\$ -	\$ 10,518
Machinery, equipment, and furnishings	6,553	45	-	6,598
Infrastructure	<u>13,950</u>	<u>-</u>	<u>-</u>	<u>13,950</u>
Total capital assets, being depreciated	30,900	166	-	31,066
Less accumulated depreciation for:				
Buildings and improvements	(5,381)	(243)	-	(5,624)
Machinery, equipment, and furnishings	(4,412)	(390)	-	(4,802)
Infrastructure	<u>(7,657)</u>	<u>(276)</u>	<u>-</u>	<u>(7,933)</u>
Total accumulated depreciation	<u>(17,450)</u>	<u>(909)</u>	<u>-</u>	<u>(18,359)</u>
Total capital assets, being depreciated, net	13,450	(743)	-	12,707
Capital assets, not being depreciated:				
Land	<u>22,594</u>	<u>4,571</u>	<u>-</u>	<u>27,165</u>
Total capital assets, not being depreciated	<u>22,594</u>	<u>4,571</u>	<u>-</u>	<u>27,165</u>
Governmental activities capital assets, net	<u>\$ 36,044</u>	<u>\$ 3,828</u>	<u>\$ -</u>	<u>\$ 39,872</u>

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

Governmental Activities:	
General government	\$ 70,832
Public safety	384,997
Highways and streets	390,217
Culture and recreation	<u>62,828</u>
Total depreciation expense - governmental activities	<u>\$ 908,874</u>

## 9. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred

outflows of resources related to pension, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, are more fully discussed in Note 16.

Deferred outflows of resources – other, consist of deferred amount on debt refunding.

**10. Accounts Payable**

Accounts payable represent 2017 expenditures paid after December 31, 2017.

**11. Capital Lease Obligations**

The Town is the lessee of certain equipment under capital leases expiring in various years through 2021. Future minimum payments under the capital leases consisted of the following as of December 31, 2017:

	Governmental <u>Activities</u>
2018	\$ 190,268
2019	132,792
2020	77,014
2021	<u>37,520</u>
Total minimum lease payments	437,594
Less: amounts representing interest	<u>(17,359)</u>
Present value of minimum lease payments	<u>\$ 420,235</u>

**12. Long-Term Debt**

**A. General Obligation Bonds**

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

<u>Governmental Activities:</u>	Serial Maturities <u>Through</u>	Interest Rate(s) %	Amount Outstanding as of <u>12/31/17</u>
Open Space	01/15/19	3.73%	\$ 225,000
GO Refunding Bond 2014 Series A	08/15/19	1.72%	402,000
GO Refunding Bond 2014 Series B-1	08/15/25	2.41%	2,795,000
GO Refunding Bond 2014 Series B-2	08/15/35	3.36%	1,507,000
GO Bond - Land Acquisition	02/01/27	2.14%	<u>4,675,000</u>
Total			<u>\$ 9,604,000</u>

**B. Future Debt Service**

The annual payments to repay bonds payable outstanding as of December 31, 2017 are as follows:

Governmental Activities	Principal	Interest	Total
2018	\$ 1,158,000	\$ 274,490	\$ 1,432,490
2019	1,135,000	201,756	1,336,756
2020	826,000	177,073	1,003,073
2021	822,000	158,037	980,037
2022	817,000	139,378	956,378
2023 - 2027	3,653,000	425,192	4,078,192
2028 - 2032	758,000	151,149	909,149
2033 - 2035	435,000	28,819	463,819
Total	<u>\$ 9,604,000</u>	<u>\$ 1,555,894</u>	<u>\$ 11,159,894</u>

The general fund has been designated as the sole source to repay the governmental-type general obligation long-term debt outstanding as of December 31, 2017.

**C. Changes in General Long-Term Liabilities**

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

	Total Balance 1/1/17	Additions	Reductions	Total Balance 12/31/17	Less Current Portion	Equals Long-Term Portion 12/31/17
<u>Governmental Activities</u>						
Bonds payable	\$ 5,624	\$ 4,675	\$ (695)	\$ 9,604	\$ (1,158)	\$ 8,446
Other:						
Compensated absences	270	3	-	273	(27)	246
Capital leases	667	-	(246)	421	(181)	240
Net OPEB obligation	763	66	-	829	-	829
Net pension liability	8,550	-	(889)	7,661	-	7,661
Totals	<u>\$ 15,874</u>	<u>\$ 4,744</u>	<u>\$ (1,830)</u>	<u>\$ 18,788</u>	<u>\$ (1,366)</u>	<u>\$ 17,422</u>

**13. Deferred Inflows of Resources**

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. The Town reports two items as deferred inflows of resources: one which is attributable to changes in the net pension liability, and the other which arises from the current financial resources measurement focus and the modified accrual basis of accounting in

governmental funds. Deferred inflows of resources related to pension will be recognized in pension expense in future years and is more fully described in Note 16. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

#### **14. Fund Balances**

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

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

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

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

Restricted - Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed - Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing special article appropriations approved at Town Meeting, capital reserve funds, and various special revenue funds.

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

Unassigned - Represents amounts that are available to be spent in future periods and general stabilization fund and deficit funds.

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

	General Fund	Land Acquisition	Nonmajor Governmental Funds	Total
<b>Nonspendable:</b>				
Prepaid expenses	\$ 154,288	\$ -	\$ -	\$ 154,288
<b>Nonexpendable permanent funds:</b>				
Charles Nichols	-	-	235,309	235,309
Common Cemetery	-	-	214,009	214,009
All remaining	-	-	198,220	198,220
<b>Total Nonspendable</b>	<b>154,288</b>	<b>-</b>	<b>647,538</b>	<b>801,826</b>
<b>Restricted:</b>				
<b>Expendable permanent funds:</b>				
Charles Nichols	-	-	30,151	30,151
Common Cemetery	-	-	53,589	53,589
All remaining	-	-	266,570	266,570
<b>Capital project funds:</b>				
Land acquisition	-	60,665	-	60,665
<b>Special revenue funds:</b>				
Conservation	-	-	542,827	542,827
Ambulance	-	-	324,658	324,658
Library	-	-	61,585	61,585
Pearl Rideout - Library	-	-	63,945	63,945
All remaining	-	-	377,283	377,283
<b>Total Restricted</b>	<b>-</b>	<b>60,665</b>	<b>1,720,608</b>	<b>1,781,273</b>
<b>Committed:</b>				
Conservation easement	200,000	-	-	200,000
Flint Pond restoration	15,195	-	-	15,195
Compensated absences	89,961	-	-	89,961
Emergency municipal building and facility maintenance	139,613	-	-	139,613
Municipal transportation	21,883	-	-	21,883
Revaluation	31,748	-	-	31,748
Environmental defense study	50,762	-	-	50,762
<b>Total Committed</b>	<b>549,162</b>	<b>-</b>	<b>-</b>	<b>549,162</b>
<b>Assigned:</b>				
<b>Encumbered for:</b>				
Master plan	9,820	-	-	9,820
Fire Pond - Orchard Drive	9,800	-	-	9,800
Fire Pond - Mendelssohn Drive	9,500	-	-	9,500
Bullet-resistant windows	15,630	-	-	15,630
Use of fund balance for 2017	284,000	-	-	284,000
<b>Total Assigned</b>	<b>328,750</b>	<b>-</b>	<b>-</b>	<b>328,750</b>
<b>Unassigned</b>	<b>3,966,178</b>	<b>-</b>	<b>-</b>	<b>3,966,178</b>
<b>Total Unassigned</b>	<b>3,966,178</b>	<b>-</b>	<b>-</b>	<b>3,966,178</b>
<b>Total Fund Balance</b>	<b>\$ 4,998,378</b>	<b>\$ 60,665</b>	<b>\$ 2,368,146</b>	<b>\$ 7,427,189</b>

**15. General Fund Unassigned Fund Balance**

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

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

GAAP basis balance	\$ 3,966,178
Deferred inflows	<u>448,291</u>
Tax Rate Setting Balance	<u>\$ 4,414,469</u>

**16. Retirement System**

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the State of New Hampshire Retirement System (NHRS).

*A. Plan Description*

Full-time employees participate in the New Hampshire Retirement System (NHRS), a cost sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The 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 within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

## B. Benefits Provided

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

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 a 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 benefit commencement date precedes the month after which the member attains 52.5 years of age by  $1/4$  of 1% or age 60.

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 earned compensation and/or service.

## C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and teachers 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.77% to 29.16% of covered compensation. The Town's contribution to NHRS for the year ended December 31, 2017 was \$682,171, which was equal to its annual required contribution.

## D. Summary of Significant Accounting Policies

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the NHRS and additions to/deductions from NHRS' fiduciary net position have been

determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

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

At December 31, 2017, the Town reported a liability of \$7,661,348 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. 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 employers, actuarially determined. At June 30, 2017, the Town's proportion was 0.156 percent.

For the year ended December 31, 2017, the Town recognized pension expense of \$233,516. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 17,371	\$ 97,507
Changes in proportion	-	58,469
Net difference between projected and actual earnings on pension plan investments	-	97,571
Changes in assumption	769,300	-
Contributions subsequent to the measurement date	<u>356,341</u>	<u>-</u>
Total	<u>\$ 1,143,012</u>	<u>\$ 253,547</u>

Deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date of \$356,341 will be recognized as a reduction of pension expense in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31:	
2018	\$ 132,549
2019	329,014
2020	239,020
2021	<u>(167,459)</u>
Total	<u>\$ 533,124</u>

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

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

Mortality rates were based on the RP-2000 mortality table, projected to 2020 with Scale AA. The table includes a margin of 15% for men and 17% for woman for mortality improvements.

The actuarial assumptions used in the June 30, 2015 valuation were based on the results of the most recent actuarial experience study.

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

Asset Class	Target Allocation Percentage	Weighted Average Average Long-Term Expected Real Rate of Return
Large cap equities	22.50 %	4.25%
Small/mid cap equities	7.50	4.50%
Total domestic equities	30.00	
Int'l equities (unhedged)	13.00	4.50%
Emerging int'l equities	7.00	6.25%
Total international equities	20.00	
Core bonds	5.00	0.75%
Short duration	2.00	-0.25%
Global multi-sector fixed income	11.00	2.11%
Unconstrained fixed income	7.00	1.26%
Total fixed income	25.00	
Private equity	5.00	6.25%
Private debt	5.00	4.75%
Opportunistic	5.00	2.84%
Total alternative investments	15.00	
Real estate	10.00	3.25%
Total	100.00 %	

Discount rate: The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the 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 and 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 investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the proportionate share of the net pension liability to changes in the discount rate: The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1 percentage-point higher (8.25%) than the current rate:

<u>Fiscal Year Ended</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
June 30, 2016	\$ 10,093,441	\$ 7,661,348	\$ 5,668,343

Pension plan fiduciary net position: Detailed information about the pension plan's fiduciary net position is available in the separately issued NHRS financial report.

## 17. Post-Employment Health Care Benefits

### Other Post-Employment Benefits

The Town has implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*. Statement 45 requires governments to account for other post-employment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially required contribution as an expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. To the extent that an entity does not fund their

actuarially required contribution, a post-employment benefit liability is recognized on the Statement of Net Position over time.

*A. Plan Description*

In addition to providing the pension benefits described, the Town provides post-employment health care benefits for retired employees through the Town's plan. The benefits, benefit levels, employee contributions and employer contributions are governed by RSA 100-A:50. As of January 1, 2015, the actuarial valuation date, 9 retirees and 55 active employees met the eligibility requirements. The plan does not issue a separate financial report.

*B. Benefits Provided*

The Town provides medical, prescription drug, and mental health/substance abuse to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

*C. Funding Policy*

Non-union and union retirees contribute 100% of the cost of the health plan.

*D. Annual OPEB Costs and Net OPEB Obligation*

The Town's 2017 annual OPEB expense is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined 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 the normal cost per year and amortize the unfunded actuarial liability over a period of thirty years. The following table shows the components of the Town's annual OPEB cost for the year ending December 31, 2017, the amount actually contributed to the plan, and the change in the Town's net OPEB obligation based on an actuarial valuation as of January 1, 2015.

Annual Required Contribution (ARC)	\$ 84,973
Interest on net OPEB obligation	30,550
Adjustment to ARC	<u>(39,058)</u>
Annual OPEB cost	76,465
Contributions made	<u>(10,358)</u>
Increase in net OPEB obligation	66,107
Net OPEB obligation - beginning of year	<u>763,763</u>
Net OPEB obligation - end of year	<u>\$ 829,870</u>

The Town's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2017	\$ 76,465	13.5%	\$ 829,870
2016	\$ 72,772	8.7%	\$ 763,763
2015	\$ 69,083	2.7%	\$ 697,329
2014	\$ 97,578	9.5%	\$ 630,128
2013	\$ 92,485	7.6%	\$ 541,844
2012	\$ 87,517	4.4%	\$ 456,370
2011	\$ 137,337	5.7%	\$ 372,721
2010	\$ 129,347	3.0%	\$ 243,168

*E. Funded Status and Funding Progress*

The funded status of the plan as of January 1, 2015, the date of the most recent actuarial valuation, was as follows:

Actuarial accrued liability (AAL)	\$ 639,133
Actuarial value of plan assets	-
Unfunded actuarial accrued liability (UAAL)	<u>\$ 639,133</u>
Funded ratio (actuarial value of plan assets/AAL)	<u>0.0%</u>
Covered payroll (active plan members)	<u>\$ 2,981,506</u>
UAAL as a percentage of covered payroll	<u>21.4%</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future. Examples included assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision, as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

*F. Actuarial Methods and Assumptions*

Projections of benefits for financial reporting purposes are based on the plan as understood by the Town 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 Town and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the January 1, 2015 actuarial valuation, the entry age method was used. The actuarial value of assets was not determined, as the Town has not advance funded its obligation. The actuarial assumptions included a 4% investment rate of return and an initial annual healthcare cost trend rate of 8%, which decreases to a 5% long-term rate for all healthcare benefits after four years. The amortization costs for the initial UAAL is a level percentage of pay over 30 years, on a closed basis.

## **18. Commitments and Contingencies**

Outstanding Legal Issues - There are certain pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

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

Abatements – there are several cases pending before the NH Board of Tax and Land Appeals and/or the Supreme Court in regard to alleged discrepancies in property assessments. According to the Town's counsel, the probable outcome of these cannot be determined at this time.

## **19. Implementation of New GASB Standard**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, replacing requirements of Statements No. 45 and 57, effective for the Town beginning with its year ending December 31, 2018. This Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures.

**TOWN OF HOLLIS, NEW HAMPSHIRE**  
**SCHEDULE OF OPEB FUNDING PROGRESS (GASB 45)**  
**REQUIRED SUPPLEMENTARY INFORMATION**

**December 31, 2017**  
**(Unaudited)**

**Other Post-Employment Benefits**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percent- age of Covered Payroll [(b-a)/c]
01/01/15	\$ -	\$ 639,133	\$ 639,133	0.0%	\$ 2,981,506	21.4%
01/01/12	\$ -	\$ 594,446	\$ 594,446	0.0%	\$ 2,897,712	20.5%
01/01/09	\$ -	\$ 527,066	\$ 527,066	0.0%	\$ 2,811,308	18.7%

See Independent Auditors' Report.

**TOWN OF HOLLIS, NEW HAMPSHIRE**  
**SCHEDULE OF PROPORTIONATE SHARE**  
**OF THE NET PENSION LIABILITY (GASB 68)**  
**DECEMBER 31, 2017**  
**(Unaudited)**

New Hampshire Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
December 31, 2017	June 30, 2017	0.156%	\$7,661,348	\$ 3,472,859	220.6%	62.66%
December 31, 2016	June 30, 2016	0.161%	\$8,550,395	\$ 3,272,842	261.3%	58.30%
December 31, 2015	June 30, 2015	0.158%	\$6,275,289	\$ 3,351,251	187.3%	65.47%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditors' Report.

**TOWN OF HOLLIS, NEW HAMPSHIRE**

**SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)**

**DECEMBER 31, 2017  
(Unaudited)**

New Hampshire Retirement System					
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2016	\$ 682,171	\$ 682,171	\$ -	\$ 3,472,859	19.6%
December 31, 2016	\$ 610,064	\$ 610,064	\$ -	\$ 3,272,842	18.6%
December 31, 2015	\$ 620,215	\$ 620,215	\$ -	\$ 3,351,251	18.5%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditors' Report.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

Independent Auditors' Report

To the Board of Selectmen  
Town of Hollis, New Hampshire

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the aggregate remaining fund information of the Town of Hollis, New Hampshire (the Town), as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and have issued our report thereon dated June 8, 2018.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in

internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

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

*Melanson Heath*

June 8, 2018