

**TOWN OF MILFORD, NEW HAMPSHIRE**

**Financial Statements**

**December 31, 2017**

**and**

**Independent Auditor's Report**

**TOWN OF MILFORD, NEW HAMPSHIRE  
FINANCIAL STATEMENTS  
December 31, 2017**

**TABLE OF CONTENTS**

	<u>Page(s)</u>
INDEPENDENT AUDITOR'S REPORT	
<b>BASIC FINANCIAL STATEMENTS</b>	
EXHIBITS:	
A Statement of Net Position	1
B Statement of Activities	2
C Balance Sheet – Governmental Funds	3
C-1 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4
D Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	5
D-1 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
E Statement of Net Position – Proprietary Funds	7
F Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds	8
G Statement of Cash Flows – Proprietary Funds	9
H Statement of Fiduciary Net Position – Fiduciary Funds	10
NOTES TO BASIC FINANCIAL STATEMENTS	11-36
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
SCHEDULES:	
1 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund	37
2 Schedule of Changes in the Town's Proportionate Share of the Net Pension Liability	38
3 Schedule of Town Pension Contributions	39
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	40-41

**TOWN OF MILFORD, NEW HAMPSHIRE  
FINANCIAL STATEMENTS  
December 31, 2017**

**TABLE OF CONTENTS (CONTINUED)**

<b>SUPPLEMENTAL SCHEDULES</b>		<u>Page(s)</u>
<b>SCHEDULES:</b>		
A	Combining Balance Sheet – Governmental Funds – All Nonmajor Funds	42
A-1	Combining Balance Sheet – Governmental Funds – All Nonmajor Special Revenue Funds	43
B	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – All Nonmajor Funds	44
B-1	Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – All Nonmajor Special Revenue Funds	45

## **INDEPENDENT AUDITOR'S REPORT**

To the Board of Selectmen  
Town of Milford, New Hampshire

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Milford, 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 as listed in the table of contents.

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

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

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

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

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

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

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

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

### ***Adverse Opinion***

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

### ***Unmodified Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Milford, New Hampshire, as of December 31, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of changes in the Town’s proportionate share of the net pension liability, and schedule of Town pension contributions on pages 37-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

*Supplementary Information*

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

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

*Vachon Clukay & Company PC*

Manchester, New Hampshire  
April 15, 2019

EXHIBIT A  
**TOWN OF MILFORD, NEW HAMPSHIRE**  
**Statement of Net Position**  
**December 31, 2017**

	Governmental <u>Activities</u>	Business-type <u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 17,121,962	\$ 1,002,021	\$ 18,123,983
Investments	2,889,942		2,889,942
Taxes receivable, net	1,997,126		1,997,126
Accounts receivable, net	194,457	259,784	454,241
Unbilled charges for services		455,613	455,613
Due from other governments	524,283	25,151	549,434
Internal balances	731,762	(731,762)	-
Prepaid expenses	138,805		138,805
Inventory		101,669	101,669
Total Current Assets	<u>23,598,337</u>	<u>1,112,476</u>	<u>24,710,813</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets	15,155,611	691,127	15,846,738
Depreciable capital assets, net	<u>14,118,918</u>	<u>21,979,864</u>	<u>36,098,782</u>
Total Noncurrent Assets	<u>29,274,529</u>	<u>22,670,991</u>	<u>51,945,520</u>
Total Assets	<u>52,872,866</u>	<u>23,783,467</u>	<u>76,656,333</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources related to pensions	<u>1,925,017</u>	<u>171,076</u>	<u>2,096,093</u>
Total Deferred Outflows of Resources	<u>1,925,017</u>	<u>171,076</u>	<u>2,096,093</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	607,171	228,176	835,347
Accrued expenses	228,988	52,786	281,774
Retainage payable		24,787	24,787
Due to other governments	14,579,714		14,579,714
Advances from grantors	121,097		121,097
Deposits	25,122	355	25,477
Current portion of bonds payable	270,000	160,278	430,278
Current portion of notes payable	110,700	148,981	259,681
Current portion of capital leases payable	<u>312,906</u>		<u>312,906</u>
Total Current Liabilities	<u>16,255,698</u>	<u>615,363</u>	<u>16,871,061</u>
Noncurrent Liabilities:			
Bonds payable	1,640,000	1,521,821	3,161,821
Notes payable	1,639,850	1,117,357	2,757,207
State of New Hampshire revolving loan	124,792		124,792
Capital leases payable	308,024		308,024
Compensated absences payable	286,906	47,668	334,574
Net pension liability	<u>11,353,864</u>	<u>1,009,014</u>	<u>12,362,878</u>
Total Noncurrent Liabilities	<u>15,353,436</u>	<u>3,695,860</u>	<u>19,049,296</u>
Total Liabilities	<u>31,609,134</u>	<u>4,311,223</u>	<u>35,920,357</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes collected in advance	264,714		264,714
Deferred inflows of resources related to pensions	<u>289,098</u>	<u>25,693</u>	<u>314,791</u>
Total Deferred Inflows of Resources	<u>553,812</u>	<u>25,693</u>	<u>579,505</u>
NET POSITION			
Net investment in capital assets	24,868,257	19,546,456	44,414,713
Restricted	1,929,655		1,929,655
Unrestricted (Deficit)	<u>(4,162,975)</u>	<u>71,171</u>	<u>(4,091,804)</u>
Total Net Position	<u>\$ 22,634,937</u>	<u>\$ 19,617,627</u>	<u>\$ 42,252,564</u>

*See accompanying notes to the basic financial statements*

EXHIBIT B  
TOWN OF MILFORD, NEW HAMPSHIRE  
Statement of Activities  
For the Year Ended December 31, 2017

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>Governmental Activities:</b>							
General government	\$ 5,303,350	\$ 41,982	\$ 350		\$ (5,261,018)		\$ (5,261,018)
Public safety	5,362,145	950,435	113,819		(4,297,891)		(4,297,891)
Highways and streets	1,917,043		603,996	\$ 136,014	(1,177,033)		(1,177,033)
Health and welfare	224,447	11,068			(213,379)		(213,379)
Sanitation	821,277	91,353	500		(729,424)		(729,424)
Culture and recreation	1,206,540	106,258	78,883		(1,021,399)		(1,021,399)
Conservation	29,614		12,479		(17,135)		(17,135)
Interest and fiscal charges	156,727				(156,727)		(156,727)
Total governmental activities	15,021,143	1,201,096	810,027	136,014	(12,874,006)	\$ -	(12,874,006)
<b>Business-type activities:</b>							
Water Department	1,401,444	1,514,463		8,740		121,759	121,759
Sewer Department	2,245,793	1,953,648				(292,145)	(292,145)
Total business-type activities	3,647,237	3,468,111	-	8,740		(170,386)	(170,386)
Total primary government	\$ 18,668,380	\$ 4,669,207	\$ 810,027	\$ 144,754	(12,874,006)	(170,386)	(13,044,392)
<b>General revenues:</b>							
Property and other taxes					9,145,525		9,145,525
Licenses and permits					3,241,944		3,241,944
Grants and contributions:							
Rooms and meals tax distribution					785,478		785,478
Railroad tax					424		424
State and federal forest land					1,717		1,717
Interest and investment earnings					398,631	1,352	399,983
Miscellaneous					414,014	6,783	420,797
Loss on disposal of capital assets					(684,395)	(100,111)	(784,506)
Transfers					(7,420)	7,420	-
Total general revenues, transfers, and loss on disposal of capital assets					13,295,918	(84,556)	13,211,362
Change in net position					421,912	(254,942)	166,970
Net Position at beginning of year					22,213,025	19,872,569	42,085,594
Net Position at end of year					\$ 22,634,937	\$ 19,617,627	\$ 42,252,564

See accompanying notes to the basic financial statements

EXHIBIT C  
**TOWN OF MILFORD, NEW HAMPSHIRE**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2017**

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 17,121,962		\$ 17,121,962
Investments	1,096,682	\$ 1,793,260	2,889,942
Taxes receivable, net	1,997,126		1,997,126
Accounts receivable, net	122,896	71,561	194,457
Due from other governments		524,283	524,283
Due from other funds	1,998,774	431,707	2,430,481
Prepaid expenses	138,805		138,805
<b>Total Assets</b>	<u>22,476,245</u>	<u>2,820,811</u>	<u>25,297,056</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Total Deferred Outflows of Resources	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 22,476,245</u>	<u>\$ 2,820,811</u>	<u>\$ 25,297,056</u>
<b>LIABILITIES</b>			
Accounts payable	\$ 533,945	\$ 73,226	\$ 607,171
Accrued expenses	193,705	368	194,073
Due to other governments	14,576,936	2,778	14,579,714
Advances from grantors		121,097	121,097
Due to other funds	778,516	920,203	1,698,719
Deposits	25,122		25,122
<b>Total Liabilities</b>	<u>16,108,224</u>	<u>1,117,672</u>	<u>17,225,896</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Taxes collected in advance	264,714		264,714
Uncollected property taxes	1,340,747		1,340,747
<b>Total Deferred Inflows of Resources</b>	<u>1,605,461</u>	<u>-</u>	<u>1,605,461</u>
<b>FUND BALANCES</b>			
Nonspendable	138,805	1,719,201	1,858,006
Restricted	148,127	62,327	210,454
Committed	2,451,313	741,601	3,192,914
Assigned	256,903		256,903
Unassigned (Deficit)	1,767,412	(819,990)	947,422
<b>Total Fund Balances</b>	<u>4,762,560</u>	<u>1,703,139</u>	<u>6,465,699</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 22,476,245</u>	<u>\$ 2,820,811</u>	<u>\$ 25,297,056</u>

*See accompanying notes to the basic financial statements*

EXHIBIT C-1  
**TOWN OF MILFORD, NEW HAMPSHIRE**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
**December 31, 2017**

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 6,465,699
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	29,274,529
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis	1,340,747
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds.	
Deferred outflows of resources related to net pension liability	1,925,017
Deferred inflows of resources related to net pension liability	(289,098)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
Bonds payable	(1,910,000)
Note payable	(1,750,550)
State of New Hampshire revolving loan	(124,792)
Capital leases payable	(620,930)
Accrued interest on long-term obligations	(34,915)
Compensated absences payable	(286,906)
Net pension liability	<u>(11,353,864)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 22,634,937</u>

*See accompanying notes to the basic financial statements*

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

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Taxes	\$ 9,246,842		\$ 9,246,842
Licenses and permits	3,068,373	\$ 173,571	3,241,944
Intergovernmental	1,206,108	446,179	1,652,287
Charges for services	867,061	334,035	1,201,096
Investment income	176,145	222,486	398,631
Miscellaneous	<u>379,532</u>	<u>169,055</u>	<u>548,587</u>
Total Revenues	<u>14,944,061</u>	<u>1,345,326</u>	<u>16,289,387</u>
Expenditures:			
Current operations:			
General government	4,822,693	128,856	4,951,549
Public safety	4,441,621	292,894	4,734,515
Highways and streets	1,654,879	16,522	1,671,401
Health and welfare	225,166		225,166
Sanitation	721,680		721,680
Culture and recreation	1,144,860	101,015	1,245,875
Conservation	29,324		29,324
Capital outlay	214,680	1,134,778	1,349,458
Debt service:			
Principal retirement	747,214		747,214
Interest and fiscal charges	<u>165,514</u>		<u>165,514</u>
Total Expenditures	<u>14,167,631</u>	<u>1,674,065</u>	<u>15,841,696</u>
Excess of revenues over (under) expenditures	<u>776,430</u>	<u>(328,739)</u>	<u>447,691</u>
Other financing sources (uses):			
Proceeds from state revolving loan funds		124,792	124,792
Transfers in	98,923	35,442	134,365
Transfers out	<u>(34,003)</u>	<u>(107,782)</u>	<u>(141,785)</u>
Total other financing sources (uses)	<u>64,920</u>	<u>52,452</u>	<u>117,372</u>
Net change in fund balances	841,350	(276,287)	565,063
Fund balances at beginning of year	<u>3,921,210</u>	<u>1,979,426</u>	<u>5,900,636</u>
Fund balances at end of year	<u>\$ 4,762,560</u>	<u>\$ 1,703,139</u>	<u>\$ 6,465,699</u>

*See accompanying notes to the basic financial statements*

EXHIBIT D-1  
**TOWN OF MILFORD, NEW HAMPSHIRE**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the Year Ended December 31, 2017**

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ 565,063
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	537,344
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the net loss from disposed capital assets reduced by the actual proceeds received from the sale of capital assets.	(737,595)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(101,317)
Proceeds from state revolving loan funds are other financing sources in the governmental funds, but the state revolving loan funds increase long-term liabilities in the statement of net position.	(124,792)
Repayment of principal on long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	747,214
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds, an interest expenditure is reported when due.	8,787
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(18,590)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, pension expense reflects the change in the net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which pension expense exceeded pension contributions in the current period.	<u>(454,202)</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 421,912</u>

*See accompanying notes to the basic financial statements*

EXHIBIT E  
**TOWN OF MILFORD, NEW HAMPSHIRE**  
**Statement of Net Position**  
**Proprietary Funds**  
**December 31, 2017**

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
<b>ASSETS</b>			
Current Assets:			
Cash and cash equivalents	\$ 584,728	\$ 417,293	\$ 1,002,021
Accounts receivable	94,515	165,269	259,784
Unbilled charges for services	203,685	251,928	455,613
Due from other governments	8,740	16,411	25,151
Due from other funds	356,809		356,809
Inventory	33,590	68,079	101,669
Total Current Assets	<u>1,282,067</u>	<u>918,980</u>	<u>2,201,047</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets	332,070	359,057	691,127
Depreciable capital assets, net	8,955,217	13,024,647	21,979,864
Total Noncurrent Assets	<u>9,287,287</u>	<u>13,383,704</u>	<u>22,670,991</u>
Total Assets	<u>10,569,354</u>	<u>14,302,684</u>	<u>24,872,038</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred outflows of resources related to pensions	<u>56,850</u>	<u>114,226</u>	<u>171,076</u>
Total Deferred Outflows of Resources	<u>56,850</u>	<u>114,226</u>	<u>171,076</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Accounts payable	30,395	197,781	228,176
Accrued expenses	32,897	19,889	52,786
Retainage payable		24,787	24,787
Due to other funds		1,088,571	1,088,571
Deposits	140	215	355
Current portion of bonds payable	115,000	45,278	160,278
Current portion of notes payable	121,981	27,000	148,981
Total Current Liabilities	<u>300,413</u>	<u>1,403,521</u>	<u>1,703,934</u>
Noncurrent Liabilities:			
Bonds payable	977,935	543,886	1,521,821
Notes payable	914,857	202,500	1,117,357
Compensated absences payable	9,376	38,292	47,668
Net pension liability	335,300	673,714	1,009,014
Total Noncurrent Liabilities	<u>2,237,468</u>	<u>1,458,392</u>	<u>3,695,860</u>
Total Liabilities	<u>2,537,881</u>	<u>2,861,913</u>	<u>5,399,794</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred inflows of resources related to pensions	<u>8,538</u>	<u>17,155</u>	<u>25,693</u>
Total Deferred Inflows of Resources	<u>8,538</u>	<u>17,155</u>	<u>25,693</u>
<b>NET POSITION</b>			
Net investment in capital assets	7,157,514	12,388,942	19,546,456
Unrestricted (Deficit)	922,271	(851,100)	71,171
Total Net Position	<u>\$ 8,079,785</u>	<u>\$ 11,537,842</u>	<u>\$ 19,617,627</u>

See accompanying notes to the basic financial statements

EXHIBIT F  
**TOWN OF MILFORD, NEW HAMPSHIRE**  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Funds**  
**For the Year Ended December 31, 2017**

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Operating revenues:			
Charges for services	\$ 1,514,463	\$ 1,953,648	\$ 3,468,111
Miscellaneous	6,375	408	6,783
Total operating revenues	<u>1,520,838</u>	<u>1,954,056</u>	<u>3,474,894</u>
Operating expenses:			
Personnel services	418,621	750,217	1,168,838
Contractual services	398,706	482,015	880,721
Materials and supplies	206,310	303,737	510,047
Miscellaneous expenses	1,294	3,356	4,650
Depreciation	305,154	676,833	981,987
Total operating expenses	<u>1,330,085</u>	<u>2,216,158</u>	<u>3,546,243</u>
Operating income (loss)	<u>190,753</u>	<u>(262,102)</u>	<u>(71,349)</u>
Non-operating revenues (expenses):			
Loss on sale of capital assets		(100,111)	(100,111)
Interest income	1,302	50	1,352
Interest expense	(71,359)	(29,635)	(100,994)
Net non-operating revenues (expenses)	<u>(70,057)</u>	<u>(129,696)</u>	<u>(199,753)</u>
Income (loss) before capital contributions and transfers	120,696	(391,798)	(271,102)
Capital contributions	8,740		8,740
Transfers in		7,420	7,420
Change in net position	129,436	(384,378)	(254,942)
Net Position at beginning of year	<u>7,950,349</u>	<u>11,922,220</u>	<u>19,872,569</u>
Net Position at end of year	<u>\$ 8,079,785</u>	<u>\$ 11,537,842</u>	<u>\$ 19,617,627</u>

*See accompanying notes to the basic financial statements*

EXHIBIT G  
**TOWN OF MILFORD, NEW HAMPSHIRE**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended December 31, 2017**

	Business-type Activities		
	Water Fund	Sewer Fund	Totals
Cash flows from operating activities:			
Cash received from customers	\$ 1,516,950	\$ 1,968,777	\$ 3,485,727
Cash paid to suppliers	(556,750)	(848,538)	(1,405,288)
Cash paid to employees	(415,080)	(746,548)	(1,161,628)
Net cash provided by operating activities	<u>545,120</u>	<u>373,691</u>	<u>918,811</u>
Cash flows from noncapital financing activities:			
Transfers from other funds	<u>-</u>	7,420	7,420
Net cash provided for noncapital financing activities	<u>-</u>	<u>7,420</u>	<u>7,420</u>
Cash flows from capital and related financing activities:			
Purchases of capital assets	(215,905)	(351,147)	(567,052)
Proceeds from sale of assets	-	40,000	40,000
Principal paid on long-term debt	(278,600)	(72,277)	(350,877)
Interest paid on long-term debt	(78,058)	(30,523)	(108,581)
Net cash used for capital and related financing activities	<u>(572,563)</u>	<u>(413,947)</u>	<u>(986,510)</u>
Cash flows from investing activities:			
Interest on investments	<u>1,302</u>	<u>50</u>	<u>1,352</u>
Net cash provided by investing activities	<u>1,302</u>	<u>50</u>	<u>1,352</u>
Net decrease in cash and cash equivalents	(26,141)	(32,786)	(58,927)
Cash and cash equivalents at beginning of year	967,678	(638,492)	329,186
Cash and cash equivalents at end of year	<u>\$ 941,537</u>	<u>\$ (671,278)</u>	<u>\$ 270,259</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:			
Operating income (loss)	\$ 190,753	\$ (262,102)	\$ (71,349)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation expense	305,154	676,833	981,987
Change in deferred outflows related to pensions	20,960	72,566	93,526
Change in deferred inflows related to pensions	4,483	7,421	11,904
Changes in assets and liabilities:			
Accounts receivable	5,540	5,732	11,272
Unbilled charges for services	(9,428)	(8,651)	(18,079)
Due from other governments	-	17,640	17,640
Inventory	1,158	(15,964)	(14,806)
Accounts payable	8,776	(26,283)	(17,507)
Accrued expenses	3,240	2,009	5,249
Compensated absences payable	301	1,659	1,960
Net pension liability	14,183	(97,169)	(82,986)
Net cash provided by operating activities	<u>\$ 545,120</u>	<u>\$ 373,691</u>	<u>\$ 918,811</u>
Noncash transactions affecting financial position:			
Net book value of disposed capital assets	<u>\$ -</u>	<u>\$ 140,111</u>	<u>\$ 140,111</u>
Capital asset additions included in year end liabilities	<u>\$ -</u>	<u>\$ 151,311</u>	<u>\$ 151,311</u>

*See accompanying notes to the basic financial statements*

EXHIBIT H  
TOWN OF MILFORD, NEW HAMPSHIRE  
Statement of Fiduciary Net Position  
Fiduciary Funds  
December 31, 2017

	Agency Funds
ASSETS	
Cash and cash equivalents	\$ 83,989
Investments	4,463,334
Total Assets	<u>\$ 4,547,323</u>
LIABILITIES	
Due to other governments	\$ 4,463,334
Due to developers	83,989
Total Liabilities	<u>\$ 4,547,323</u>

*See accompanying notes to the basic financial statements*

**TOWN OF MILFORD, NEW HAMPSHIRE  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended December 31, 2017**

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

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

***Financial Reporting Entity***

The Town of Milford, New Hampshire (the Town) was incorporated in 1794. The Town operates under the Town Meeting/Board of Selectmen form of government and performs local governmental functions as authorized by State law.

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

***Basis of Presentation***

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

**1. Government-Wide Financial Statements:**

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

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

**2. Fund Financial Statements:**

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

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

***Fund Accounting***

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

**1. Governmental Funds:**

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

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

**2. Proprietary Funds:**

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The Town has no internal service funds. The following are the Town's major proprietary funds:

The *Water Fund* and *Sewer Fund* account for all revenues and expenses pertaining to the Town's water and wastewater operations, respectively. The Water and Sewer Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation) of providing goods or services to the residents on a continuing basis are financed or recovered primarily through user charges.

**3. Fiduciary Funds:**

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

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

*Measurement Focus*

**1. Government-Wide Financial Statements:**

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

**2. Fund Financial Statements:**

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

Like the government-wide statements, the proprietary fund type is accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in total net position. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

*Basis of Accounting*

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

**1. Revenues – Exchange and Non-Exchange Transactions:**

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

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 10). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

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

**2. Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

***Budgetary Data***

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

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2017, the Town did not apply any of its unappropriated fund balance to reduce taxes.

***Cash and Cash Equivalents***

The Town pools its cash resources for its governmental and proprietary funds. Cash applicable to a particular fund is reflected as an interfund balance. For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of the following:

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Totals</u>
Cash and cash equivalents	\$ 584,728	\$ 417,293	\$ 1,002,021
Due from / (to) other funds	<u>356,809</u>	<u>(1,088,571)</u>	<u>(731,762)</u>
Total cash and cash equivalents	<u>\$ 941,537</u>	<u>\$ (671,278)</u>	<u>\$ 270,259</u>

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

***Investments***

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

***Taxes Receivable***

Taxes levied during the current year and prior and uncollected at December 31, 2017 are recorded as receivables net of reserves for estimated uncollectibles of \$183,875 in the General Fund.

***Accounts Receivable***

Ambulance services billed during the current year and prior and uncollected at December 31, 2017 are recorded as receivables net of reserves for estimated uncollectibles of \$1,134,712 in the General Fund.

***Inventory***

On government-wide and proprietary fund financial statements, inventories are presented at the lower of cost or market on a first-in, first-out basis and are expensed when used.

***Capital Assets***

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position but are not reported in the governmental fund financial statements. In the government-wide financial statements, capital assets are reported in the applicable governmental or business-type activities column.

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The Town maintains a capitalization threshold of \$10,000. The Town's infrastructure consists of roads, bridges, sidewalks, water purification and distribution systems, sewer collection and treatment systems, and similar items. Intangible assets of the Town consist of conservation land easements which are reported as non-depreciable capital assets, and software costs which are reported as depreciable capital assets. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not. Interest incurred during the construction phase of capital assets of the business-type activities is also capitalized.

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

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

	<u>Description</u>	<u>Years</u>
	Infrastructure	10-75
	Land improvements	15-20
	Buildings and improvements	10-50
	Vehicles and equipment	3-50
	Intangible assets	5

***Compensated Absences***

Employees earn vacation and sick leave as they provide services. Provision is made in the annual budget for vacation and sick leave. Pursuant to Town personnel policy and collective bargaining agreements, employees may accumulate (subject to certain limitations) unused vacation pay earned and, upon retirement, resignation or death will be compensated for such amounts at current rates of pay. No payment for unused sick leave is made upon termination.

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

***Accrued Liabilities and Long-Term Obligations***

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

***Pensions***

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

***Net Position***

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

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

Unrestricted net position is the residual amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

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

***Fund Balance Policy***

Under GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, the Town has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. The components of fund balance are defined as follows:

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

*Spending Prioritizations*

When expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first.

When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

*Deficit Fund Balance*

At year end, if any of the special revenue funds has a deficit unassigned fund balance, the Board of Selectmen is authorized to transfer funds from the General Fund to cover the deficit, providing the General Fund has the resources to do so.

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

*Minimum Level of Unassigned Fund Balance*

As recommended by the New Hampshire Department of Revenue Administration, the Town will strive to maintain an unassigned fund balance in its General Fund equal to 5-15% of the total annual appropriations of the community (which includes the Town, County, and School District).

*Interfund Activity*

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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

*Operating Revenues and Expenses*

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the Water and Sewer Funds, these revenues are charges to customers for sales and services. Operating expenses, which include depreciation on capital assets, are necessary costs incurred to provide the service that is the primary activity of the proprietary fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

*Estimates*

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

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

*Other Post-Employment Benefits*

The Town has not implemented GASB Statement 45, *Accounting and Financial Reporting by Employers for Postemployment 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 provisions of GASB 45 were required to be implemented by the Town during the year ended December 31, 2009.

*Deficit Fund Balance*

At December 31, 2017, the Capital Projects Fund, a Nonmajor Governmental Fund, had a deficit 'Unassigned' fund balance of (\$819,990).

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

**NOTE 3—DEPOSITS AND INVESTMENTS**

Deposits and investments as of December 31, 2017 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 18,123,983
Investments	2,889,942
Statement of Fiduciary Net Position:	
Cash and cash equivalents	83,989
Investments	<u>4,463,334</u>
Total deposits and investments	<u>\$ 25,561,248</u>

Deposits and investments at December 31, 2017 consist of the following:

Cash on hand	\$ 31,890
Deposits with financial institutions	18,176,082
Investments	<u>7,353,276</u>
Total deposits and investments	<u>\$ 25,561,248</u>

The Town's investment policy for governmental and proprietary funds requires that deposits be made in federally insured banks chartered under the laws of the State of New Hampshire or the federal government with a branch within the State of New Hampshire. The Town limits its investments in accordance with New Hampshire State law (RSA 41:29) to United States Treasury securities maturing in less than one year, short-term obligations of U.S. Government agencies, fully insured or collateralized certificates of deposits in banks incorporated in the State of New Hampshire or national banks located in the State of New Hampshire, repurchase agreements with banks chartered by the State of New Hampshire and fully collateralized, and the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool.

Responsibility for the investments of the Town's Trust Funds is with the Board of Trustees. The Trustees of Trust Funds have employed professional banking assistance in accordance with New Hampshire State law (RSA 31:38a). Investments of the library funds are at the discretion of the Library Trustees.

***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's investment policy for managing interest rate risk requires investment maturities to be scheduled to coincide with projected cash flow needs, taking into account large routine expenditures, as well as anticipated revenue inflows. Information about the sensitivity of the fair values of the Town's investments subject to market interest rate fluctuations is provided by the following table that shows the distribution of investments by maturity:

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

<u>Investment Type</u>	<u>Fair Value</u>	<u>Remaining Maturity (in Years)</u>		
		<u>0-1 Years</u>	<u>1-5 Years</u>	<u>&gt; 5 Years</u>
US Treasury obligations	\$ 195,289		\$ 97,918	\$ 97,371
Government agency bonds	100,912	\$ 74,881	26,031	
Bond mutual funds	2,054,183		213,105	1,841,078
Municipal bonds	62,861			62,861
Corporate bonds	151,333		50,735	100,598
	<u>\$ 2,564,578</u>	<u>\$ 74,881</u>	<u>\$ 387,789</u>	<u>\$ 2,101,908</u>

***Credit Risk***

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town's investment policy states that the Town's objective is to attain the highest possible rate of return while taking into account the legal constraints, cash flow needs and risk levels consistent with the primary objective of capital preservation. The following are the actual ratings as of year-end for each investment type:

	<u>Investment Type</u>						<u>Totals</u>
	<u>Government</u>	<u>Municipal</u>	<u>Corporate</u>	<u>Money</u>	<u>Bond</u>	<u>State</u>	
<u>Ratings as of Year End</u>	<u>agency</u>	<u>bonds</u>	<u>bonds</u>	<u>market</u>	<u>mutual</u>	<u>investment</u>	
	<u>bonds</u>	<u>bonds</u>	<u>bonds</u>	<u>funds</u>	<u>funds</u>	<u>pool</u>	
Aaa	\$ 100,912					\$ 27,002	\$ 127,914
Aa1			\$ 48,752				48,752
Aa3		\$ 62,861					62,861
A1			102,581				102,581
Not Rated				\$ 524,995	\$ 2,054,183		2,579,178
Fair Value	<u>\$ 100,912</u>	<u>\$ 62,861</u>	<u>\$ 151,333</u>	<u>\$ 524,995</u>	<u>\$ 2,054,183</u>	<u>\$ 27,002</u>	<u>\$ 2,921,286</u>

***Custodial Credit Risk***

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

Of the Town's deposits with financial institutions at year end, \$17,663,574 was collateralized by securities held by the bank in the bank's name. As of December 31, 2017, Town investments in the following investment types were held by the same counterparty that was used to buy the securities:

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Treasury obligations	\$ 195,289
Equity securities	4,236,701
Government agency bonds	100,912
Municipal bonds	62,861
Corporate bonds	151,333
Bond mutual funds	2,054,183
	<u>\$ 6,801,279</u>

***Fair Value Measurement of Investments***

In accordance with GASB Statement 72, *Fair Value Measurement and Application*, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by accounting principles generally accepted in the United States. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows (in order of priority):

- ***Level 1 Inputs*** - Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date.
- ***Level 2 Inputs*** - Inputs other than quoted prices that are observable for assets or liabilities either directly or indirectly, including inputs in markets that are not considered to be active.
- ***Level 3 Inputs*** - Significant unobservable inputs.

As of December 31, 2017, the Town's investments measured at fair value, by type, were as follows:

<u>Investment Type</u>	<u>Fair Value Measurements Using:</u>			<u>Total</u>
	<u>Level 1 inputs</u>	<u>Level 2 inputs</u>	<u>Level 3 inputs</u>	
Equity securities	\$ 4,236,701			\$ 4,236,701
Bond mutual funds	2,054,183			2,054,183
US Treasury obligations		\$ 195,289		195,289
Government agency bonds		100,912		100,912
Municipal bonds		62,861		62,861
Corporate bonds		151,333		151,333
	<u>\$ 6,290,884</u>	<u>\$ 510,395</u>	<u>\$ -</u>	<u>\$ 6,801,279</u>

Equity securities and bond mutual funds classified as Level 1 are valued using unadjusted prices quoted in active markets for those securities. US Treasury obligations, Government agency bonds, municipal bonds and corporate bonds classified as Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to bench-mark quoted prices.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

*Investment in NHPDIP (State investment pool)*

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

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

**NOTE 4—CAPITAL ASSETS**

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

	<u>Balance</u> <u>1/1/2017</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2017</u>
<b>Governmental activities:</b>				
Capital assets not depreciated:				
Land	\$ 13,231,302	\$ 100,923	\$ (631,703)	\$ 12,700,522
Easements	131,049			131,049
Construction in process	2,212,637	170,018	(58,615)	2,324,040
Total capital assets not being depreciated	<u>15,574,988</u>	<u>270,941</u>	<u>(690,318)</u>	<u>15,155,611</u>
Other capital assets:				
Infrastructure	8,286,155	1,086,776		9,372,931
Land improvements	2,360,065	125,829	(130,000)	2,355,894
Buildings and improvements	10,352,618		(359,000)	9,993,618
Vehicles and equipment	7,683,622	293,350	(30,875)	7,946,097
Intangible assets	271,009	44,455		315,464
Total other capital assets at historical cost	<u>28,953,469</u>	<u>1,550,410</u>	<u>(519,875)</u>	<u>29,984,004</u>
Less accumulated depreciation for:				
Infrastructure	(3,460,203)	(388,959)		(3,849,162)
Land improvements	(1,669,961)	(75,306)	117,000	(1,628,267)
Buildings and improvements	(4,503,850)	(282,977)	274,617	(4,512,210)
Vehicles and equipment	(5,199,518)	(463,678)	29,330	(5,633,866)
Intangible assets	(220,145)	(21,436)		(241,581)
Total accumulated depreciation	<u>(15,053,677)</u>	<u>(1,232,356)</u>	<u>420,947</u>	<u>(15,865,086)</u>
Total other capital assets, net	<u>13,899,792</u>	<u>318,054</u>	<u>(98,928)</u>	<u>14,118,918</u>
Total capital assets, net	<u>\$ 29,474,780</u>	<u>\$ 588,995</u>	<u>\$ (789,246)</u>	<u>\$ 29,274,529</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 182,205
Public safety	442,642
Highways and streets	533,097
Sanitation	17,005
Culture and recreation	57,407
Total governmental activities depreciation expense	<u>\$ 1,232,356</u>

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

The balance of assets acquired through capital leases as of December 31, 2017 is as follows:

Vehicles and equipment	\$ 2,073,256
Less: Accumulated depreciation	<u>(656,552)</u>
	<u>\$ 1,416,704</u>

The following is a summary of changes in capital assets of the business-type activities:

	Balance 1/1/2017	Additions	Reductions	Balance 12/31/2017
<b>Business-type activities:</b>				
Capital assets not depreciated:				
Land	\$ 188,892	\$ 164,959		\$ 353,851
Easements	54,636			54,636
Construction in process	<u>1,177,477</u>	<u>282,640</u>	<u>\$(1,177,477)</u>	<u>282,640</u>
Total capital assets not being depreciated	<u>1,421,005</u>	<u>447,599</u>	<u>(1,177,477)</u>	<u>691,127</u>
Other capital assets:				
Infrastructure	15,779,218	72,174		15,851,392
Land improvements	56,757			56,757
Buildings and improvements	23,221,743	1,161,488	(288,814)	24,094,417
Vehicles and equipment	<u>3,767,666</u>	<u>218,993</u>	<u>(28,000)</u>	<u>3,958,659</u>
Total other capital assets at historical cost	<u>42,825,384</u>	<u>1,452,655</u>	<u>(316,814)</u>	<u>43,961,225</u>
Less accumulated depreciation for:				
Infrastructure	(5,150,032)	(315,025)		(5,465,057)
Land improvements	(40,288)	(1,216)		(41,504)
Buildings and improvements	(14,208,669)	(511,399)	148,703	(14,571,365)
Vehicles and equipment	<u>(1,777,088)</u>	<u>(154,347)</u>	<u>28,000</u>	<u>(1,903,435)</u>
Total accumulated depreciation	<u>(21,176,077)</u>	<u>(981,987)</u>	<u>176,703</u>	<u>(21,981,361)</u>
Total other capital assets, net	<u>21,649,307</u>	<u>470,668</u>	<u>(140,111)</u>	<u>21,979,864</u>
Total capital assets, net	<u>\$ 23,070,312</u>	<u>\$ 918,267</u>	<u>\$(1,317,588)</u>	<u>\$ 22,670,991</u>

Depreciation expense was charged to proprietary funds as follows:

Water Fund	\$ 305,154
Sewer Fund	<u>676,833</u>
	<u>\$ 981,987</u>

**NOTE 5—LONG-TERM OBLIGATIONS**

***Changes in Long-Term Obligations***

The changes in the Town's long-term obligations for the year ended December 31, 2017 are as follows:

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

	Balance <u>1/1/2017</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2017</u>	Due Within <u>One Year</u>
<b>Governmental activities:</b>					
Bonds payable	\$ 2,215,000		\$ (305,000)	\$ 1,910,000	\$ 270,000
Note payable	1,861,250		(110,700)	1,750,550	110,700
State of New Hampshire revolving loan		\$ 124,792		124,792	
Capital leases payable	952,444		(331,514)	620,930	312,906
Compensated absences payable	<u>268,316</u>	<u>59,384</u>	<u>(40,794)</u>	<u>286,906</u>	
Total governmental activities	<u>\$ 5,297,010</u>	<u>\$ 184,176</u>	<u>\$ (788,008)</u>	<u>\$ 4,693,178</u>	<u>\$ 693,606</u>
<b>Business-type activities:</b>					
Bonds payable	\$ 1,883,995		\$ (201,896)	\$ 1,682,099	\$ 160,278
Notes payable	1,415,319		(148,981)	1,266,338	148,981
Compensated absences payable	<u>45,708</u>	<u>\$ 9,702</u>	<u>(7,742)</u>	<u>47,668</u>	
Total business-type activities	<u>\$ 3,345,022</u>	<u>\$ 9,702</u>	<u>\$ (358,619)</u>	<u>\$ 2,996,105</u>	<u>\$ 309,259</u>

Payments on the bonds payable, note payable and capital leases of the governmental activities are paid out of the General Fund. Payments on the bonds payable and notes payable of the business-type activities are paid out of the Water and Sewer Funds, as applicable to each fund for related debt. Compensated absences will be paid from the fund where the employee's salary is paid.

**General Obligation Bonds**

Bonds payable at December 31, 2017 are comprised of the following individual issues:

	Interest <u>Rate</u>	Final Maturity <u>Date</u>	Balance at <u>12/31/2017</u>
<b>Governmental Activities:</b>			
Police Station	3.70-4.50%	09/2024	1,050,000
Mileslip Road Land	4.50%	08/2025	<u>860,000</u>
Total governmental activities			<u>\$ 1,910,000</u>
<b>Business-type Activities:</b>			
<i>Water Fund:</i>			
Storage Tank	4.0-4.2%	08/2025	\$ 640,000
Elm Street Phase I	4.0-5.0%	08/2026	315,000
Dram Cup Storage	1.64%	01/2025	<u>137,935</u>
			<u>1,092,935</u>
<i>Sewer Fund:</i>			
Outfall Diffuser	4.0-5.0%	08/2026	135,000
Septage Receiving Facility	2.72%	12/2032	<u>454,164</u>
			<u>589,164</u>
Total business-type activities			<u>\$ 1,682,099</u>

Debt service requirements to retire general obligation bonds outstanding for governmental activities at December 31, 2017 are as follows:

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 270,000	\$ 79,410	\$ 349,410
2019	270,000	68,610	338,610
2020	270,000	57,810	327,810
2021	270,000	46,860	316,860
2022	270,000	35,760	305,760
2023-2025	560,000	37,740	597,740
	<u>\$ 1,910,000</u>	<u>\$ 326,190</u>	<u>\$ 2,236,190</u>

Debt service requirements to retire general obligation bonds outstanding for business-type activities at December 31, 2017 are as follows:

***Water Fund:***

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 115,000	\$ 40,966	\$ 155,966
2019	133,759	38,447	172,206
2020	134,066	24,321	158,387
2021	134,378	28,191	162,569
2022	134,695	23,011	157,706
2023-2026	441,037	38,713	479,750
	<u>\$ 1,092,935</u>	<u>\$ 193,649</u>	<u>\$ 1,286,584</u>

***Sewer Fund:***

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 45,278	\$ 18,665	\$ 63,943
2019	45,278	17,166	62,444
2020	45,278	15,649	60,927
2021	45,277	14,167	59,444
2022	45,277	12,595	57,872
2023-2027	211,388	40,033	251,421
2028-2032	151,388	12,353	163,741
	<u>\$ 589,164</u>	<u>\$ 130,628</u>	<u>\$ 719,792</u>

***General Obligation Notes***

Notes payable at December 31, 2017 are comprised of the following individual issues:

	<u>Interest Rate</u>	<u>Final Maturity Date</u>	<u>Balance at 12/31/2017</u>
<b>Governmental Activities:</b>			
Ambulance Facility	2.875%	01/2034	<u>\$ 1,750,550</u>

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

**Business-type Activities:**

*Water Fund:*

Curtis Well	2.35%	01/2026	\$ 250,750
Union Street Water Main	2.35%	01/2026	112,888
West Elm Street Water Main	2.35%	01/2026	<u>673,200</u>
			<u>1,036,838</u>

*Sewer Fund:*

Sanitary Sewer Rehab	2.35%	01/2026	<u>229,500</u>
			<u>229,500</u>

Total business-type activities \$ 1,266,338

Debt service requirements to retire the general obligation note outstanding for governmental activities at December 31, 2017 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 110,700	\$ 50,922	\$ 161,622
2019	110,700	47,739	158,439
2020	110,700	44,557	155,257
2021	110,700	41,374	152,074
2022	110,700	38,192	148,892
2023-2027	553,500	143,218	696,718
2028-2032	553,500	63,653	617,153
2033	<u>90,050</u>	<u>3,183</u>	<u>93,233</u>
	<u>\$ 1,750,550</u>	<u>\$ 432,838</u>	<u>\$ 2,183,388</u>

Debt service requirements to retire the general obligation notes outstanding for business-type activities at December 31, 2017 are as follows:

***Water Fund:***

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 121,981	\$ 24,366	\$ 146,347
2019	121,981	21,499	143,480
2020	121,981	18,633	140,614
2021	121,981	15,766	137,747
2022	121,981	12,899	134,880
2023-2026	<u>426,933</u>	<u>22,216</u>	<u>449,149</u>
	<u>\$ 1,036,838</u>	<u>\$ 115,379</u>	<u>\$ 1,152,217</u>

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

***Sewer Fund:***

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 27,000	\$ 5,393	\$ 32,393
2019	27,000	4,759	31,759
2020	27,000	4,124	31,124
2021	27,000	3,490	30,490
2022	27,000	2,855	29,855
2023-2026	94,500	4,918	99,418
	<u>\$ 229,500</u>	<u>\$ 25,539</u>	<u>\$ 255,039</u>

***Capital Lease Obligations***

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

The following are the individual capital lease obligations outstanding for governmental activities at December 31, 2017:

	<u>Interest</u> <u>Rate</u>	<u>Final</u> <u>Maturity</u> <u>Date</u>	<u>Balance at</u> <u>12/31/2017</u>
<b>Governmental Activities:</b>			
Fire engine	2.29%	04/2018	\$ 65,254
Ambulances	1.72%	06/2019	94,918
Sweeper	1.72%	06/2019	65,165
Sidewalk tractor	1.95%	02/2018	29,351
Dump truck	2.25%	06/2018	29,433
Ladder truck	2.50%	06/2020	336,809
			<u>\$ 620,930</u>

Debt service requirements to retire capital lease obligations outstanding for governmental activities at December 31, 2017 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2018	\$ 312,906	\$ 13,903	\$ 326,809
2019	192,971	7,071	200,042
2020	115,053	2,876	117,929
	<u>\$ 620,930</u>	<u>\$ 23,850</u>	<u>\$ 644,780</u>

***State of New Hampshire Revolving Loan***

The Town has drawn \$124,792 of approximately \$216,000 in funds under the State of New Hampshire Water Pollution Control Revolving Fund Program for the Town's stormwater system asset management program. The Town shall be provided federal financial assistance, whereby up to 20% of the borrowed

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

funds are to be forgiven, not to exceed \$43,200. The principal forgiveness will be applied at the time of the initial loan repayment.

Payments are not scheduled to commence until the first day of the month following the first anniversary of the substantial completion date of the project or the first anniversary of the scheduled completion date of the project, whichever is earlier. Interest is accrued at 1% during the construction period of the project. The interest rate applicable during repayment will be determined in accordance with RSA 486:14 and will be at the lesser of 2.00% or the adjusted market rate at the time of loan closure.

**NOTE 6—DEFINED BENEFIT PLAN**

*Plan Description*

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

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

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

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

*Benefits Provided*

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

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

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

years of age by 1/4 of 1%. For Group II members who commenced service prior to July 1, 2011, who have not attained vested status prior to January 1, 2012, benefits are calculated depending on age and years of creditable service as follows:

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

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

***Funding Policy***

Covered police officers and fire employees are required to contribute 11.55% and 11.80%, respectively, of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers, fire employees, and general employees were 22.54%, 25.32%, and 10.86%, respectively, through June 30, 2017 and 25.33%, 27.79%, and 11.08%, respectively, thereafter. The Town contributed 100% of the employer cost for police officers, firefighters, and general employees of the Town.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's pension contributions to the NHRS for the year ending December 31, 2017 were \$934,522.

***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 \$12,362,878 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 a roll forward of the actuarial valuation from June 30, 2016. The Town's proportion of the net pension liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2017, the Town's proportion was approximately 0.2514 percent, which was an increase of 0.0047 percentage points from its proportion measured as of June 30, 2016.

For the year ended December 31, 2017, the Town recognized pension expense of \$1,412,460. At December 31, 2017, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 28,032	\$ 157,344
Changes in assumptions	1,241,396	
Net difference between projected and actual investment earnings on pension plan investments		157,447
Changes in proportion and differences between Town contributions and proportionate share of contributions	325,896	
Town contributions subsequent to the measurement date	<u>500,769</u>	
Totals	<u>\$ 2,096,093</u>	<u>\$ 314,791</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$1,781,302. The Town reported \$500,769 as deferred outflows of resources related to pension resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense in the measurement periods as follows:

<u>June 30,</u>	
2018	\$ 328,621
2019	628,507
2020	482,647
2021	<u>(159,242)</u>
	<u>\$ 1,280,533</u>

***Actuarial Assumptions***

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2016, using the following actuarial assumptions:

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

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using Scale MP-2015, based on the last experience study. Retirement rates were based on a table of rates that are specific to the type of eligibility condition, last updated in 2015 pursuant to an experience study of the period July 1, 2010 – June 30, 2015.

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Fixed income	25%	(0.25)-2.11%
Domestic equity	30%	4.25-4.50%
International equity	20%	4.50-6.25%
Real estate	10%	3.25%
Private equity	5%	6.25%
Private debt	5%	4.75%
Opportunistic	5%	2.84%
Total	<u>100%</u>	

***Discount Rate***

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

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

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

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of the net pension liability	\$ 16,287,472	\$ 12,362,878	\$ 9,146,829

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

**NOTE 7—INTERFUND BALANCES AND TRANSFERS**

The Town has combined the cash resources of its governmental and proprietary fund types. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at December 31, 2017 are as follows:

	Due from			Totals
	General Fund	Nonmajor Governmental Funds	Sewer Fund	
Due to				
General Fund		\$ 920,203	\$ 1,078,571	\$ 1,998,774
Nonmajor Governmental Funds	\$ 431,707			431,707
Water Fund	346,809		10,000	356,809
	<u>\$ 778,516</u>	<u>\$ 920,203</u>	<u>\$ 1,088,571</u>	<u>\$ 2,787,290</u>

During the year, several interfund transactions occurred between funds. The various transfers were made in accordance with budgetary authorizations. Interfund transfers for the year ended December 31, 2017 are as follows:

	Transfer from		Totals
	General Fund	Nonmajor Governmental Funds	
Transfer to			
General Fund		\$ 98,923	\$ 98,923
Nonmajor Governmental Funds	\$ 34,003	1,439	35,442
Sewer Fund		7,420	7,420
	<u>\$ 34,003</u>	<u>\$ 107,782</u>	<u>\$ 141,785</u>

**NOTE 8—RESTRICTED NET POSITION**

Net position is restricted for specific purposes at December 31, 2017 as follows:

<b>Governmental Activities:</b>	
Permanent Funds - Principal	\$ 1,719,201
Permanent Funds - Income	62,327
Heritage Commission donations	10,844
Conservation Commission donations	20,861
Library Funds	116,422
	<u>\$ 1,929,655</u>

**NOTE 9—COMPONENTS OF FUND BALANCE**

The components of fund balance for governmental funds at December 31, 2017 are as follows:

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<i><b>Nonspendable:</b></i>			
Prepaid expenses	\$ 138,805		\$ 138,805
Permanent Funds - Principal		\$ 1,719,201	1,719,201
<i><b>Restricted for:</b></i>			
Heritage Commission donations	10,844		10,844
Conservation Commission donations	20,861		20,861
Library Funds	116,422		116,422
Permanent Funds - Income		62,327	62,327
<i><b>Committed for:</b></i>			
Continuing appropriations - Non-lapsing	510,719		510,719
Expendable Trust Funds	1,789,097		1,789,097
Conservation Commission	151,497		151,497
Impact Fees Fund		31,506	31,506
Recreation Fund		31,619	31,619
Special Purpose Funds		291,360	291,360
Public Safety Revolving Fund		80,050	80,050
Cable Access Fund		307,066	307,066
<i><b>Assigned for:</b></i>			
Encumbrances	255,903		255,903
Heritage Commission	1,000		1,000
<i><b>Unassigned (deficit):</b></i>			
Capital Projects Fund		(819,990)	(819,990)
Unassigned - General operations	<u>1,767,412</u>		<u>1,767,412</u>
	<u>\$ 4,762,560</u>	<u>\$ 1,703,139</u>	<u>\$ 6,465,699</u>

**NOTE 10—PROPERTY TAXES**

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$1,355,508,844 as of April 1, 2017) and are due in two installments on July 3, 2017 and December 4, 2017. Taxes paid after the due dates accrue interest at 12% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year-end).

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

In accordance with State law, the Town collects taxes for the Milford School District and Hillsborough County, both independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the School District. Total taxes appropriated during the year were \$29,021,049 and \$1,741,503 for the Milford School District and Hillsborough County, respectively. These taxes are not recognized as revenues in these financial statements. The Town bears responsibility for uncollected taxes. At December 31, 2017, the balance of

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

the property tax appropriation due to the Milford School District is \$14,568,549 and has been reported in the General Fund as 'Due to other governments' in these financial statements.

**NOTE 11—RISK MANAGEMENT**

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2017, the Town was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2017.

***Property and Liability Insurance***

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

***Worker's Compensation***

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

**NOTE 12—PERFORMANCE DEPOSITS**

The Town holds letters of credit and performance bonds from developers until projects have been completed to Town standards. Due to the nature of these deposits, these letters of credit and performance bonds are not included as part of the financial statements. At December 31, 2017, the Town held performance deposits totaling \$1,684,419.

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

**NOTE 13—MILFORD AREA COMMUNICATION CENTER**

The Town of Milford is a member of the Milford Area Communication Center. This is a joint venture with three neighboring towns to provide communication dispatch services. The Center is managed by board members representing the participating towns. The Town does not exercise any control over the budgeting and financing of the Center's activities. Financial statements are available from the Milford Area Communication Center. The inter-municipal agreement calls for sharing of budgeted expenses in proportion to population. The Town of Milford's share for the year ended December 31, 2017 amounted to \$492,439 or 71.29%. The Center rents space in the Milford Town Hall for \$3,000 per year.

**NOTE 14—COMMITMENTS**

*Water Supply Contract*

On March 21, 2002, the Town of Milford entered into an agreement with Pennichuck Water Works, Inc. for the purpose of supplying water to the Town. The terms of the agreement are for 20 years with minimum payments of \$81,000 per year. Monthly payments commenced April 1, 2002. Each year's appropriation is expected to be made at Town Meeting.

**NOTE 15—CONTINGENCIES**

*Litigation*

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

*Federal Grants*

The Town participates in a number of federally assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. The amounts, if any, of expenditures which may be disallowed by the granting agency cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

**NOTE 16—IMPLEMENTATION OF FUTURE ACCOUNTING STANDARDS**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which the Town is required to implement in the year ending December 31, 2018. Management believes that this pronouncement will have a potentially significant impact on the Town's government-wide and proprietary fund financial statements. The Town will have to report its proportional share of the New Hampshire Retirement System's unfunded OPEB liability in the financial statements. Additionally, Statement No. 75 modifies the allowable methods, recognition and measurement criteria related to how the Town accounts for and reports its single employer OPEB plan.

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2017**

**NOTE 17—SUBSEQUENT EVENTS**

*Debt Authorization*

At the March 2018 annual Town meeting, the voters authorized the issuance of \$3,864,300 in bonds for the renovation and expansion of the downtown fire station.

SCHEDULE 1  
**TOWN OF MILFORD, NEW HAMPSHIRE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis) - General Fund**  
**For the Year Ended December 31, 2017**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 9,153,096	\$ 9,153,096	\$ 9,145,525	\$ (7,571)
Licenses and permits	2,999,610	2,999,610	3,068,373	68,763
Intergovernmental	1,183,935	1,183,935	1,206,108	22,173
Charges for services	894,150	894,150	866,941	(27,209)
Investment income	30,000	30,000	49,271	19,271
Miscellaneous	266,890	266,890	292,484	25,594
Total Revenues	<u>14,527,681</u>	<u>14,527,681</u>	<u>14,628,702</u>	<u>101,021</u>
Expenditures:				
Current operations:				
General government	5,133,288	5,093,288	4,889,387	203,901
Public safety	4,504,723	4,504,723	4,453,439	51,284
Highways and streets	1,560,631	1,560,631	1,626,285	(65,654)
Health and welfare	240,301	240,301	225,166	15,135
Sanitation	638,531	638,531	721,680	(83,149)
Culture and recreation	340,796	340,796	308,987	31,809
Capital outlay	376,000	136,000	214,680	(78,680)
Debt service:				
Principal retirement	747,214	747,214	747,214	-
Interest and fiscal charges	171,432	171,432	163,965	7,467
Total Expenditures	<u>13,712,916</u>	<u>13,432,916</u>	<u>13,350,803</u>	<u>82,113</u>
Excess of revenues over expenditures	<u>814,765</u>	<u>1,094,765</u>	<u>1,277,899</u>	<u>183,134</u>
Other financing sources (uses):				
Transfers in	58,100	58,100	98,923	40,823
Transfers out	(1,417,587)	(1,186,868)	(1,186,868)	-
Total other financing sources (uses)	<u>(1,359,487)</u>	<u>(1,128,768)</u>	<u>(1,087,945)</u>	<u>40,823</u>
Net change in fund balance	(544,722)	(34,003)	189,954	223,957
Fund balances at beginning of year				
- Budgetary Basis	<u>3,487,025</u>	<u>3,487,025</u>	<u>3,487,025</u>	<u>-</u>
Fund balances at end of year				
- Budgetary Basis	<u>\$ 2,942,303</u>	<u>\$ 3,453,022</u>	<u>\$ 3,676,979</u>	<u>\$ 223,957</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

TOWN OF MILFORD, NEW HAMPSHIRE

Schedule of Changes in the Town's Proportionate Share of the Net Pension Liability  
For the Year Ended December 31, 2017

<u>Measurement Period Ended</u>	<u>Town's Proportion of the Net Pension Liability</u>	<u>Town's Proportionate Share of the Net Pension Liability</u>	<u>Town's Covered Payroll</u>	<u>Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2017	0.25138057%	\$ 12,362,878	\$ 6,128,709	201.72%	62.66%
June 30, 2016	0.24668770%	\$ 13,117,854	\$ 5,941,032	220.80%	58.30%
June 30, 2015	0.24265407%	\$ 9,612,807	\$ 5,800,830	165.71%	65.47%
June 30, 2014	0.23988935%	\$ 9,004,452	\$ 5,535,219	162.68%	66.32%
June 30, 2013	0.23924342%	\$ 10,296,521	\$ 5,376,720	191.50%	59.81%

*See accompanying notes to the required supplementary information*

SCHEDULE 3  
**TOWN OF MILFORD, NEW HAMPSHIRE**  
**Schedule of Town Pension Contributions**  
**For the Year Ended December 31, 2017**

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Town's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2017	\$ 934,522	\$ (934,522)	\$ -	\$ 5,965,762	15.66%
December 31, 2016	\$ 893,043	\$ (893,043)	\$ -	\$ 5,960,480	14.98%
December 31, 2015	\$ 886,887	\$ (886,887)	\$ -	\$ 6,143,332	14.44%
December 31, 2014	\$ 781,993	\$ (781,993)	\$ -	\$ 5,598,597	13.97%
December 31, 2013	\$ 691,409	\$ (691,409)	\$ -	\$ 5,465,686	12.65%

*See accompanying notes to the required supplementary information*

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended December 31, 2017**

**NOTE 1—BUDGET TO ACTUAL RECONCILIATION**

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

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 15,042,984	\$ 14,201,634
Difference in property taxes meeting susceptible to accrual criteria	(101,317)	
Non-budgetary revenues and expenditures	(214,042)	(913,448)
Budgetary expenditures and transfers out		1,151,316
Encumbrances - December 31, 2017		255,903
Encumbrances - December 31, 2016		(157,734)
Per Schedule 1	<u>\$ 14,727,625</u>	<u>\$ 14,537,671</u>

**NOTE 2—BUDGETARY FUND BALANCE**

The components of the budgetary fund balance for the General Fund at December 31, 2017 are as follows:

<i><b>Nonspendable:</b></i>	
Prepaid expenses	\$ 138,805
<i><b>Committed for:</b></i>	
Continuing appropriations - Non-lapsing	510,719
<i><b>Unassigned:</b></i>	
Unassigned - General Operations	3,027,455
	<u>\$ 3,676,979</u>

**TOWN OF MILFORD, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**For the Year Ended December 31, 2017**

**NOTE 3—SCHEDULE OF CHANGES IN THE TOWN’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF TOWN CONTRIBUTIONS**

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

***Changes in Assumptions***

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

SCHEDULE A  
**TOWN OF MILFORD, NEW HAMPSHIRE**  
**Combining Balance Sheet**  
**Governmental Funds - All Nonmajor Funds**  
**December 31, 2017**

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Capital Projects <u>Fund</u>	Combining <u>Totals</u>
<b>ASSETS</b>				
Investments		\$ 1,793,260		\$ 1,793,260
Accounts receivable	\$ 71,561			71,561
Due from other governments	399,491		\$ 124,792	524,283
Due from other funds	431,707			431,707
<b>Total Assets</b>	<u>902,759</u>	<u>1,793,260</u>	<u>124,792</u>	<u>2,820,811</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Total Deferred Outflows of Resources	-	-	-	-
<b>Total Assets and Deferred Outflows of Resources</b>	<u>\$ 902,759</u>	<u>\$ 1,793,260</u>	<u>\$ 124,792</u>	<u>\$ 2,820,811</u>
<b>LIABILITIES</b>				
Accounts payable	\$ 36,915		\$ 36,311	\$ 73,226
Accrued expenses	368			368
Due to other governments	2,778			2,778
Advances from grantors	121,097			121,097
Due to other funds		\$ 11,732	908,471	920,203
<b>Total Liabilities</b>	<u>161,158</u>	<u>11,732</u>	<u>944,782</u>	<u>1,117,672</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Total Deferred Inflows of Resources	-	-	-	-
<b>FUND BALANCES</b>				
Nonspendable		1,719,201		1,719,201
Restricted		62,327		62,327
Committed	741,601			741,601
Unassigned (Deficit)			(819,990)	(819,990)
<b>Total Fund Balances</b>	<u>741,601</u>	<u>1,781,528</u>	<u>(819,990)</u>	<u>1,703,139</u>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balances</b>	<u>\$ 902,759</u>	<u>\$ 1,793,260</u>	<u>\$ 124,792</u>	<u>\$ 2,820,811</u>

SCHEDULE A-1  
**TOWN OF MILFORD, NEW HAMPSHIRE**  
 Combining Balance Sheet  
 Governmental Funds - All Nonmajor Special Revenue Funds  
 December 31, 2017

	Impact Fees Fund	Recreation Fund	Special Purpose Funds	Public Safety Revolving Fund	Cable Access Fund	Combining Totals
<b>ASSETS</b>						
Accounts receivable						
Due from other governments			\$ 399,491	\$ 28,384	\$ 43,177	\$ 71,561
Due from other funds	\$ 31,506	\$ 32,806	49,005	51,666	266,724	399,491
Total Assets	<u>31,506</u>	<u>32,806</u>	<u>448,496</u>	<u>80,050</u>	<u>309,901</u>	<u>902,759</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Total Deferred Outflows of Resources	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 31,506</u>	<u>\$ 32,806</u>	<u>\$ 448,496</u>	<u>\$ 80,050</u>	<u>\$ 309,901</u>	<u>\$ 902,759</u>
<b>LIABILITIES</b>						
Accounts payable		\$ 819	\$ 33,261		\$ 2,835	\$ 36,915
Accrued expenses		368				368
Due to other governments			2,778			2,778
Advances from grantors			121,097			121,097
Total Liabilities	<u>\$ -</u>	<u>1,187</u>	<u>157,136</u>	<u>\$ -</u>	<u>2,835</u>	<u>161,158</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Total Deferred Inflows of Resources	-	-	-	-	-	-
<b>FUND BALANCES</b>						
Committed						
Total Fund Balances	<u>31,506</u>	<u>31,619</u>	<u>291,360</u>	<u>80,050</u>	<u>307,066</u>	<u>741,601</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 31,506</u>	<u>\$ 32,806</u>	<u>\$ 448,496</u>	<u>\$ 80,050</u>	<u>\$ 309,901</u>	<u>\$ 902,759</u>

SCHEDULE B  
**TOWN OF MILFORD, NEW HAMPSHIRE**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds - All Nonmajor Funds**  
**For the Year Ended December 31, 2017**

	Special Revenue Funds	Permanent Funds	Capital Projects Fund	Combining Totals
Revenues:				
Licenses and permits	\$ 173,571			\$ 173,571
Intergovernmental	446,179			446,179
Charges for services	334,035			334,035
Investment income		\$ 222,486		222,486
Miscellaneous	169,055			169,055
Total Revenues	<u>1,122,840</u>	<u>222,486</u>	<u>\$ -</u>	<u>1,345,326</u>
Expenditures:				
Current operations:				
General government	120,918	7,938		128,856
Public safety	292,894			292,894
Highways and streets	16,522			16,522
Culture and recreation	76,876	24,139		101,015
Capital outlay	189,996		944,782	1,134,778
Total Expenditures	<u>697,206</u>	<u>32,077</u>	<u>944,782</u>	<u>1,674,065</u>
Excess of revenues over (under) expenditures	<u>425,634</u>	<u>190,409</u>	<u>(944,782)</u>	<u>(328,739)</u>
Other financing sources (uses):				
Proceeds from state revolving loan funds			124,792	124,792
Transfers in	35,442			35,442
Transfers out	(96,050)	(11,732)		(107,782)
Total other financing sources (uses)	<u>(60,608)</u>	<u>(11,732)</u>	<u>124,792</u>	<u>52,452</u>
Net change in fund balances	365,026	178,677	(819,990)	(276,287)
Fund balances at beginning of year	<u>376,575</u>	<u>1,602,851</u>	<u>-</u>	<u>1,979,426</u>
Fund balances at end of year	<u>\$ 741,601</u>	<u>\$ 1,781,528</u>	<u>\$ (819,990)</u>	<u>\$ 1,703,139</u>

SCHEDULE B-1

TOWN OF MILFORD, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds - All Nonmajor Special Revenue Funds  
 For the Year Ended December 31, 2017

	Impact Fees Fund	Recreation Fund	Special Purpose Funds	Public Safety Revolving Fund	Cable Access Fund	Combining Totals
<b>Revenues:</b>						
Licenses and permits			\$ 446,179	\$ 173,571	\$ 173,571	\$ 173,571
Intergovernmental	\$ 64,520	\$ 77,085		\$ 256,950		446,179
Charges for services		7,919	96,616			334,035
Miscellaneous	64,520	85,004	542,795	256,950	173,571	169,055
Total Revenues	<u>64,520</u>	<u>85,004</u>	<u>542,795</u>	<u>256,950</u>	<u>173,571</u>	<u>1,122,840</u>
<b>Expenditures:</b>						
Current operations:						
General government			595		120,323	120,918
Public safety			47,883	245,011		292,894
Highways and streets			16,522			16,522
Culture and recreation		72,134	4,742			76,876
Capital outlay			189,996			189,996
Total Expenditures	<u>-</u>	<u>72,134</u>	<u>259,738</u>	<u>245,011</u>	<u>120,323</u>	<u>697,206</u>
Excess of revenues over (under) expenditures	<u>64,520</u>	<u>12,870</u>	<u>283,057</u>	<u>11,939</u>	<u>53,248</u>	<u>425,634</u>
Other financing sources (uses):						
Transfers in			35,442			35,442
Transfers out	(44,611)	(1,439)	(50,000)			(96,050)
Total other financing sources (uses)	<u>(44,611)</u>	<u>(1,439)</u>	<u>(14,558)</u>	<u>-</u>	<u>-</u>	<u>(60,608)</u>
Net change in fund balances	19,909	11,431	268,499	11,939	53,248	365,026
Fund balances at beginning of year	<u>11,597</u>	<u>20,188</u>	<u>22,861</u>	<u>68,111</u>	<u>253,818</u>	<u>376,575</u>
Fund balances at end of year	<u>\$ 31,506</u>	<u>\$ 31,619</u>	<u>\$ 291,360</u>	<u>\$ 80,050</u>	<u>\$ 307,066</u>	<u>\$ 741,601</u>