

# TOWN OF ATKINSON, NEW HAMPSHIRE

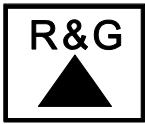
## FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2018

**TOWN OF ATKINSON, NEW HAMPSHIRE  
FINANCIAL REPORT  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2018**

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# Roberts & Greene, PLLC

## INDEPENDENT AUDITOR'S REPORT

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

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

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

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

### **Auditor's Responsibility**

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

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

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

### **Opinions**

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

## **Emphasis of Matter**

### *Change in Accounting Principle*

As discussed in Note I.B.5. to the financial statements, in the year 2018, the Town adopted new accounting guidance regarding the accounting and reporting for postemployment benefits other than pensions (OPEB). Our opinion is not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the pension and OPEB schedules on pages 32 - 35 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational and economic 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.

The Town of Atkinson has not presented a management's discussion and analysis. Accounting principles generally accepted in the United States of America have determined that the management's discussion and analysis is necessary to supplement, but is not required to be part of, the basic financial statements.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Atkinson's basic financial statements. The combining nonmajor and individual general fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They 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 and individual general fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Roberts & Greene, PLLC*

Concord, New Hampshire  
August 26, 2019

## **BASIC FINANCIAL STATEMENTS**

**EXHIBIT 1**  
**TOWN OF ATKINSON, NEW HAMPSHIRE**  
**Statement of Net Position**  
**December 31, 2018**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 8,640,749
Investments	1,950,421
Receivables, net of allowance for uncollectibles	661,996
Prepaid items	18,694
Tax deeded property held for resale	81,078
Capital assets, not being depreciated:	
Land	4,511,917
Construction in progress	236,126
Capital assets, net of accumulated depreciation:	
Land improvements	160,789
Buildings and building improvements	3,446,621
Machinery, vehicles and equipment	1,895,527
Infrastructure	2,379,266
Total assets	<u>23,983,184</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts related to pensions	401,873
Deferred amounts related to OPEB	12,974
Total deferred outflows of resources	<u>414,847</u>
<b>LIABILITIES</b>	
Accounts payable	100,050
Accrued payroll and benefits	65,916
Accrued interest payable	19,405
Intergovernmental payable	6,515,803
Performance and escrow deposits	14,781
Noncurrent obligations:	
Due within one year:	
Bond payable	85,000
Unamortized bond premium	975
Capital leases payable	91,123
Compensated absences payable	1,710
Due in more than one year:	
Bond payable	680,000
Unamortized bond premium	7,800
Capital leases payable	160,356
Compensated absences payable	28,186
Other postemployment benefits liability	194,338
Net pension liability	1,810,900
Total liabilities	<u>9,776,343</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned revenue	43,658
Deferred amounts related to pensions	120,429
Deferred amounts related to OPEB	929
Total deferred inflows of resources	<u>165,016</u>
<b>NET POSITION</b>	
Net investment in capital assets	11,604,992
Restricted for:	
Endowments:	
Nonexpendable	883,313
Expendable	77,478
Other purposes	130,686
Unrestricted	1,760,203
Total net position	<u>\$ 14,456,672</u>

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 2**  
**TOWN OF ATKINSON, NEW HAMPSHIRE**  
**Statement of Activities**  
**For the Year Ended December 31, 2018**

		Program Revenues			Net (Expense)
		Charges	Operating	Capital	Revenue and
	Expenses	for	Grants and	Grants and	Changes in Net
		Services	Contributions	Contributions	Position
Governmental activities:					
General government	\$ 1,121,538	\$ 14,028	\$ 821,653	\$ -	\$ (285,857)
Public safety	1,891,085	99,754	58,823	163,288	(1,569,220)
Highways and streets	751,106	-	-	-	(751,106)
Sanitation	577,016	-	-	-	(577,016)
Health	39,444	-	-	-	(39,444)
Welfare	6,283	-	-	-	(6,283)
Culture and recreation	820,038	75,276	-	-	(744,762)
Conservation	58,990	-	-	-	(58,990)
Interest on long-term debt	41,862	-	-	-	(41,862)
Capital outlay	67,616	-	-	-	(67,616)
Total primary government	<u>\$ 5,374,978</u>	<u>\$ 189,058</u>	<u>\$ 880,476</u>	<u>\$ 163,288</u>	<u>(4,142,156)</u>
General revenues:					
Property taxes					2,837,659
Other taxes					337,176
Licenses and permits					2,186,769
Grants and contributions not restricted to specific programs					357,919
Miscellaneous					105,856
Total general revenues					<u>5,825,379</u>
Change in net position					1,683,223
Net position, beginning, as restated, see Note III.D.					<u>12,773,449</u>
Net position, ending					<u>\$ 14,456,672</u>

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 3**  
**TOWN OF ATKINSON, NEW HAMPSHIRE**  
**Balance Sheet**  
**Governmental Funds**  
**December 31, 2018**

	General	Permanent Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 8,159,244	\$ -	\$ 481,505	\$ 8,640,749
Investments	63,167	961,487	925,767	1,950,421
Receivables, net of allowance for uncollectibles:				
Taxes	659,033	-	-	659,033
Accounts	-	-	2,963	2,963
Interfund receivable	-	-	10,574	10,574
Prepaid items	18,694	-	-	18,694
Tax deeded property held for resale	81,078	-	-	81,078
Total assets	<u>\$ 8,981,216</u>	<u>\$ 961,487</u>	<u>\$ 1,420,809</u>	<u>\$ 11,363,512</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 100,050	\$ -	\$ -	\$ 100,050
Accrued salaries and benefits	65,051	-	865	65,916
Intergovernmental payable	6,515,803	-	-	6,515,803
Interfund payable	9,878	696	-	10,574
Escrow and performance deposits	14,781	-	-	14,781
Total liabilities	<u>6,705,563</u>	<u>696</u>	<u>865</u>	<u>6,707,124</u>
Deferred inflows of resources:				
Deferred revenue	<u>368,371</u>	<u>-</u>	<u>-</u>	<u>368,371</u>
Fund balances:				
Nonspendable	99,772	883,313	-	983,085
Restricted	-	77,478	130,686	208,164
Committed	495,543	-	1,289,258	1,784,801
Assigned	50,720	-	-	50,720
Unassigned	1,261,247	-	-	1,261,247
Total fund balances	<u>1,907,282</u>	<u>960,791</u>	<u>1,419,944</u>	<u>4,288,017</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 8,981,216</u>	<u>\$ 961,487</u>	<u>\$ 1,420,809</u>	<u>\$ 11,363,512</u>

The notes to the financial statements are an integral part of this statement.



**EXHIBIT 4**  
**TOWN OF ATKINSON, NEW HAMPSHIRE**  
**Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position**  
**December 31, 2018**

Total fund balances of governmental funds (Exhibit 3)		\$ 4,288,017
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.		
Cost	\$ 18,679,310	
Less accumulated depreciation	<u>(6,049,064)</u>	
		12,630,246
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (10,574)	
Payables	<u>10,574</u>	
		-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Unavailable tax revenue		324,713
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(19,405)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bond outstanding	\$ 765,000	
Unamortized bond premium	8,775	
Capital leases outstanding	251,479	
Compensated absences payable	29,896	
Other postemployment benefits liability	194,338	
Net pension liability	<u>1,810,900</u>	
		(3,060,388)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$ 401,873	
Deferred outflows of resources related to OPEB	12,974	
Deferred inflows of resources related to pensions	(120,429)	
Deferred inflows of resources related to OPEB	<u>(929)</u>	
		293,489
Total net position of governmental activities (Exhibit 1)		<u><u>\$ 14,456,672</u></u>

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 5**  
**TOWN OF ATKINSON, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2018**

	General	Permanent Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,936,451	\$ -	\$ 207,700	\$ 3,144,151
Licenses, permits and fees	2,186,769	-	-	2,186,769
Intergovernmental	521,220	-	58,823	580,043
Charges for services	63,588	-	125,469	189,057
Miscellaneous	77,133	813,794	44,623	935,550
Total revenues	<u>5,785,161</u>	<u>813,794</u>	<u>436,615</u>	<u>7,035,570</u>
Expenditures:				
Current:				
General government	1,097,445	341	2,257	1,100,043
Public safety	1,530,893	-	166,202	1,697,095
Highways and streets	583,880	-	-	583,880
Sanitation	969,737	-	-	969,737
Health	39,444	-	-	39,444
Welfare	6,283	-	-	6,283
Culture and recreation	679,539	-	40,969	720,508
Conservation	58,990	-	-	58,990
Debt service:				
Principal	85,000	-	-	85,000
Interest	40,800	-	-	40,800
Capital outlay	321,252	-	3,162	324,414
Total expenditures	<u>5,413,263</u>	<u>341</u>	<u>212,590</u>	<u>5,626,194</u>
Excess of revenues over expenditures	<u>371,898</u>	<u>813,453</u>	<u>224,025</u>	<u>1,409,376</u>
Other financing sources (uses):				
Transfers in	-	-	125,579	125,579
Transfers out	(125,000)	(579)	-	(125,579)
Inception of capital lease	264,807	-	-	264,807
Total other financing sources and uses	<u>139,807</u>	<u>(579)</u>	<u>125,579</u>	<u>264,807</u>
Net change in fund balances	511,705	812,874	349,604	1,674,183
Fund balances, beginning	1,395,577	147,917	1,070,340	2,613,834
Fund balances, ending	<u>\$ 1,907,282</u>	<u>\$ 960,791</u>	<u>\$ 1,419,944</u>	<u>\$ 4,288,017</u>

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 6**  
**TOWN OF ATKINSON, NEW HAMPSHIRE**  
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund**  
**Balances of Governmental Funds to the Statement of Activities**  
**For the Year Ended December 31, 2018**

Net change in fund balances of governmental funds (Exhibit 5)		\$ 1,674,183
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capitalized capital outlay exceeded depreciation expense in the current period.		
Capitalized capital outlay	\$ 695,335	
Depreciation expense	<u>(581,188)</u>	
		114,147
The net effect of the disposal of capital assets is to decrease net position.		(8,053)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (125,579)	
Transfers out	<u>125,579</u>	
		-
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.		
Change in unavailable tax revenue		30,684
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.		
Inception of capital lease	\$ (264,807)	
Repayment of bond principal	85,000	
Amortization of bond premium	975	
Repayment of capital lease principal	<u>150,683</u>	
		(28,149)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Increase in accrued interest expense	\$ (2,037)	
Increase in compensated absences payable	(3,343)	
Increase in OPEB liability	(48,428)	
Decrease in OPEB related deferrals	<u>12,045</u>	
		(41,763)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense.		
Town pension contributions	\$ 199,298	
Cost of benefits earned, net of employee contributions	<u>(257,124)</u>	
		(57,826)
Change in net position of governmental activities (Exhibit 2)		<u>\$ 1,683,223</u>

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 7**  
**TOWN OF ATKINSON, NEW HAMPSHIRE**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance**  
**Budget and Actual (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2018**

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 2,746,863	\$ 2,967,135	\$ 220,272
Licenses, permits and fees	2,138,056	2,186,769	48,713
Intergovernmental	521,313	521,220	(93)
Charges for services	60,078	63,588	3,510
Miscellaneous	64,141	51,947	(12,194)
Total revenues	<u>5,530,451</u>	<u>5,790,659</u>	<u>260,208</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,149,405	1,098,886	50,519
Public safety	1,590,289	1,529,467	60,822
Highways and streets	592,149	512,076	80,073
Sanitation	562,153	701,180	(139,027)
Health	49,243	39,444	9,799
Welfare	17,000	6,283	10,717
Culture and recreation	716,445	679,539	36,906
Conservation	9,027	8,700	327
Debt service:			
Principal	85,000	85,000	-
Interest	40,800	40,800	-
Capital outlay	941,050	687,345	253,705
Total expenditures	<u>5,752,561</u>	<u>5,388,720</u>	<u>363,841</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(222,110)</u>	<u>401,939</u>	<u>624,049</u>
Other financing sources (uses):			
Transfers in	262,000	-	(262,000)
Transfers out	<u>(174,390)</u>	<u>(174,390)</u>	<u>-</u>
Total other financing sources and uses	<u>87,610</u>	<u>(174,390)</u>	<u>(262,000)</u>
Net change in fund balance	<u>\$ (134,500)</u>	227,549	<u>\$ 362,049</u>
Decrease in nonspendable fund balance		44,298	
Unassigned fund balance, beginning		1,314,113	
Unassigned fund balance, ending		<u>\$ 1,585,960</u>	

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 8**  
**TOWN OF ATKINSON, NEW HAMPSHIRE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
**December 31, 2018**

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ -	\$ 317,426
Investments	6,154	-
Total assets	<u>6,154</u>	<u>317,426</u>
Liabilities:		
Accounts payable	1,000	-
Due to other governmental units	-	62,014
Due to developers	-	255,412
Total liabilities	<u>1,000</u>	<u>317,426</u>
Net position:		
Held in trust for specific purposes	<u>\$ 5,154</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.

**EXHIBIT 9**  
**TOWN OF ATKINSON, NEW HAMPSHIRE**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
**For the Year Ended December 31, 2018**

	Private Purpose Trust
Additions:	
Investment earnings:	
Interest	\$ 114
Deductions:	
Trust distributions	1,000
Change in net position	(886)
Net position, beginning	6,040
Net position, ending	<u>\$ 5,154</u>

The notes to the financial statements are an integral part of this statement.

## **NOTES TO THE FINANCIAL STATEMENTS**

**TOWN OF ATKINSON, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2018**

**I. Summary of Significant Accounting Principles**

**I.A. Introduction**

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Atkinson (the Town) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Town's financial activities for the fiscal year ended December 31, 2018.

**I.B. Financial Reporting Entity – Basis of Presentation**

**I.B.1. *Entity Defined***

The Town of Atkinson is a municipal corporation governed by a board of selectmen consisting of five members elected by the voters. These financial statements present the financial position and activity of the primary government. Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based on the stated criteria, the Town's financial statements do not include any component units.

**I.B.2. *Government-Wide and Fund Financial Statements***

*Government-Wide Financial Statements*

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole, excluding fiduciary activities. Individual funds are not displayed.

The statement of activities reports the expenses of a given function offset by program revenues directly connected with the functional program. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges for the Town's services; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions, which fund the acquisition, construction, or rehabilitation of capital assets. Taxes and revenue from other sources not properly included with program revenues are reported as general revenues.



**TOWN OF ATKINSON, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2018**

*Fund Financial Statements*

Fund financial statements are provided for governmental and fiduciary funds. The major governmental funds are reported in separate columns with composite columns for nonmajor funds.

**I.B.3. *Measurement Focus, Basis of Accounting and Financial Statement Presentation***

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Fiduciary fund financial statements also report using this same basis of accounting, although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met. The agency funds are custodial in nature and do not measure results of operations.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within 60 days of the end of the fiscal year, and defers any not received by that date. When calculating fund balance used to set the tax rate, these taxes are not deferred in accordance with the requirements of the New Hampshire Department of Revenue Administration.

Expenditures are recorded when the related fund liability is incurred, except for general obligation debt principal and interest which are reported as expenditures in the year due.

Major revenues susceptible to accrual are property taxes, intergovernmental amounts, charges for services, and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed.

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**I.B.4. *Fund Types and Major Funds***

*Governmental Funds*

The Town reports the following major governmental funds:

*General Fund* – Reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

*Permanent Fund* – The permanent fund is used to account for financial assets held by the trustees of trust funds, from which only the income, and not principal, is used to support Town purposes.

The Town also reports six nonmajor governmental funds.

*Fiduciary Funds*

The Town reports the following fiduciary funds:

*Private Purpose Trust Funds* – Account for financial resources of the Town used only for the benefit of other entities or individuals.

*Agency Funds* – Account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. The Town's agency funds are used to account for performance bonds held in escrow; and amounts held for school impact fees belonging to the Timberlane Regional School District.

**I.B.5. *Change in Accounting Principle***

During the year, the Town adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. This results in the measurement and presentation of the Town's OPEB liability reported in the Statement of Net Position. The prior year's net position was restated as shown in Note III.D. to reflect this change.

**I.C. *Assets, Liabilities, and Net Position or Fund Equity***

**I.C.1. *Cash and Investments***

The laws of the State of New Hampshire require that the Town's treasurer have custody of all monies belonging to the Town, other than those held by the trustees of trust funds and library trustees, and pay out the same only upon orders of the Board of Selectmen. The treasurer shall deposit all monies in participation units in the public deposit investment pool established pursuant to N.H. RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge or deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits,

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United States government or government agency obligations, or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

New Hampshire law authorizes the Town to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime bankers' acceptances; or certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

Any person who directly or indirectly receives any such funds or monies for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the Town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral.

Investments are stated at fair value based on quoted market prices. Investments include amounts held by the New Hampshire Public Deposit Investment Pool, which is an external investment pool regulated by the New Hampshire Bank Commissioner and the Commissioner's Advisory Committee. Participation in the Pool is voluntary and the fair value of its investments is the same as the value of pool shares. The Town library also has an investment in a 24-month certificate of deposit held at Pentucket Bank, a mutual chartered bank of New Hampshire and Massachusetts.

**I.C.2. Capital Assets and Depreciation**

Generally, the Town's property, plant and equipment with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at the acquisition cost on the date donated. The Town generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follow:

	<u>Years</u>
Land improvements	25
Buildings and building improvements	15-40
Machinery, vehicles and equipment	3-20
Infrastructure	15-50

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**I.C.3. *Long-Term Debt***

In the government-wide financial statements, outstanding debt is reported as liabilities. The balance of long-term debt is not reported in the governmental funds.

**I.C.4. *Compensated Absences***

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums based on the number of years in employment. Employees are only permitted to accrue an amount equal to ten days over their annual entitlement. Employees are entitled to their vacation leave upon termination.

Compensated absences are reported as accrued in the governmental activities' financial statements. Governmental funds report only matured compensated absences payable to currently terminated employees which are included in wages and benefits expenditures.

**I.C.5. *Equity***

The government-wide statement of net position reports net position in the following components:

- Net investment in capital assets, which is computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.
- Restricted for endowments, which consists of the balance of the permanent funds whose principal balance is required to be retained in perpetuity and whose income balance is to be used for Town purposes in accordance with trust specifications.
- Restricted for other purposes, which consists of the balance of the library and drug forfeiture funds.
- Unrestricted, which consists of the remaining balance of net position.

The governmental funds report the following components of fund balance:

- Nonspendable, which consists of endowments in the permanent funds, and prepaid items and tax deeded property in the general fund.
- Restricted, which represents the expendable income from permanent funds; and the library fund and drug forfeiture fund, whose uses are limited by law.

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- Committed, which consists of balances for which the intended use has been established by Town Meeting, or by the Board of Selectmen, and would require an equally formal action to remove those commitments.
- Assigned, which consists of balances for which the intended use is established by the Board of Selectmen in the form of an encumbrance.
- Unassigned, which represents the remaining fund balance in the General Fund in excess of the nonspendable, restricted, committed, and assigned balances.

**I.D. Estimates**

The preparation of financial statements in conformity with U.S. generally accepted accounting principles, requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**II. Stewardship, Compliance and Accountability**

**II.A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. Unless encumbered, all appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2018, none of the General Fund's unassigned fund balance from 2017 was so used, but \$134,500 was appropriated from fund balance.

Encumbrance accounting is employed by the governmental funds. Encumbrances (e.g., purchase orders, contracts) outstanding at year-end are reported as restrictions, commitments, or assignments of fund balances and do not constitute expenditures or liabilities because they will be added to the appropriations voted in the subsequent year.

Revenues are budgeted by source. Expenditures are budgeted by functions as follow: general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, conservation, debt service and capital outlay. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot legally exceed the total appropriations unless permission is received from the Commissioner of Revenue Administration.

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**II.B. General Fund GAAP to Budgetary Basis Reconciliation**

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 5,790,659
Adjustments:	
Basis difference:	
Capital lease inception	264,807
Tax revenue deferred in the prior year	294,029
Tax revenue deferred in the current year	(324,713)
Perspective difference:	
Revenue from Expendable Trust Fund	25,186
Per Exhibit 5 (GAAP basis)	<u><u>\$ 6,049,968</u></u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 5,563,110
Adjustments:	
Basis difference:	
Encumbrances, beginning	183,904
Encumbrances, ending	(492,974)
Capital lease inception	264,807
Perspective difference:	
Transfer to Expendable Trust Fund	68,806
Expenditures of Expendable Trust Fund	(49,390)
Per Exhibit 5 (GAAP basis)	<u><u>\$ 5,538,263</u></u>
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 1,585,960
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(324,713)
Per Exhibit 3 (GAAP basis)	<u><u>\$ 1,261,247</u></u>

**III. Detailed Notes on Funds and Government-Wide Statements**

**III.A. Assets**

**III.A.1. Receivables, Uncollectible Accounts and Deferred Revenue**

*Property Taxes Receivable and Property Tax Calendar*

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year's billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31),

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and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien is executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of lien taxes. Properties not redeemed within two years of the date of the tax lien should be deeded to the Town. During the current year, the tax collector executed a lien for uncollected 2017 property taxes on August 28<sup>th</sup>.

The property taxes levied and collected by the Town include amounts for the State of New Hampshire, the Timberlane Regional School District, and Rockingham County. The Town is responsible for the collection of all these taxes. During the annual tax rate setting process, the Town sets an amount for potential abatements and tax deedings, known as overlay. Overlay is raised through taxation and is reported as a reduction in tax revenue.

The net assessed valuation as of April 1, 2018, upon which the 2018 property tax levy was based was:

For the New Hampshire education tax	\$ 969,194,154
For all other taxes	\$ 978,086,054

The tax rates and amounts assessed for the year ended December 31, 2018 were as follow:

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$2.96	\$ 2,891,493
School portion:		
State of New Hampshire	\$2.18	2,113,952
Local	\$11.79	11,530,851
County portion	\$1.00	981,403
Total property taxes assessed		<u>\$ 17,517,699</u>

The following details the taxes receivable at year-end:

Property:	
Levy of 2018	\$ 553,735
Unredeemed (under tax lien):	
Levy of 2017	97,663
Levy of 2016	63,854
Levy of 2015	15,008
Levies of 2014 and prior	47,773
Less: allowance for estimated uncollectible taxes	<u>(119,000)</u>
Net taxes receivable	<u>\$ 659,033</u>

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*Deferred Revenue*

Deferred revenue of \$368,371 at December 31, 2018 represents \$324,713 of 2018 property taxes that were not collected within 60 days of year-end, and therefore, are deferred in accordance with generally accepted accounting principles, and \$43,658 in prepayments collected in advance of the 2019 property tax levy. In the governmental activities, only the prepayments are recorded as unearned revenue.

**III.A.2. Capital Assets**

*Changes in Capital Assets*

The following table provides a summary of changes in capital assets:

	Balance, beginning	Additions	Deletions	Balance, ending
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 4,511,917	\$ -	\$ -	\$ 4,511,917
Construction in progress	54,880	219,266	(38,020)	236,126
Total capital assets not being depreciated	<u>4,566,797</u>	<u>219,266</u>	<u>(38,020)</u>	<u>4,748,043</u>
Being depreciated:				
Land improvements	194,692	25,128	-	219,820
Buildings and building improvements	6,007,025	-	-	6,007,025
Machinery, vehicles and equipment	2,942,497	434,654	(50,351)	3,326,800
Infrastructure	4,323,315	54,307	-	4,377,622
Total capital assets being depreciated	<u>13,467,529</u>	<u>514,089</u>	<u>(50,351)</u>	<u>13,931,267</u>
Total all capital assets	<u>18,034,326</u>	<u>733,355</u>	<u>(88,371)</u>	<u>18,679,310</u>
Less accumulated depreciation:				
Land improvements	(50,350)	(8,681)	-	(59,031)
Buildings and building improvements	(2,405,903)	(154,501)	-	(2,560,404)
Machinery, vehicles and equipment	(1,283,855)	(189,716)	42,298	(1,431,273)
Infrastructure	(1,770,066)	(228,290)	-	(1,998,356)
Total accumulated depreciation	<u>(5,510,174)</u>	<u>(581,188)</u>	<u>42,298</u>	<u>(6,049,064)</u>
Net book value, capital assets being depreciated	<u>7,957,355</u>	<u>(67,099)</u>	<u>(8,053)</u>	<u>7,882,203</u>
Net book value, all capital assets	<u>\$ 12,524,152</u>	<u>\$ 152,167</u>	<u>\$ (46,073)</u>	<u>\$ 12,630,246</u>



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*Depreciation Expense*

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

General government	\$ 42,666
Public safety	182,176
Highways and streets	268,180
Culture and recreation	88,166
Total depreciation expense	<u>\$ 581,188</u>

**III.B. Liabilities**

**III.B.1. Intergovernmental Payable**

The amount due to other governments at December 31, 2018 consists of \$6,515,803 due to the Timberlane Regional School District for the balance of the 2018-2019 school district assessment.

**III.B.2. Long-Term Liabilities**

General obligation bonds are approved by the voters and repaid with general revenues (property taxes). These bonds are backed by the full faith and credit of the Town. Long-term liabilities currently outstanding are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2018	Current Portion
General obligation bond payable:						
Library project	\$ 1,714,500	2007	2027	4.0-5.0	\$ 765,000	\$ 85,000
Unamortized bond premium					<u>8,775</u>	<u>975</u>
Capital leases payable:						
Backhoe	\$ 88,500	2015	2020	2.0	18,077	18,076
Dump truck and plow	\$ 88,850	2015	2019	2.2	18,574	18,574
Ford F-F50	\$ 83,476	2017	2021	4.5	50,021	15,945
Carts	\$ 264,807	2018	2022	4.49	164,807	38,528
					<u>251,479</u>	<u>91,123</u>
Compensated absences payable:						
Accrued vacation leave					29,896	1,710
Other postemployment benefits liability					194,338	-
Net pension liability					1,810,900	-
					<u>\$ 3,060,388</u>	<u>\$ 178,808</u>

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*Changes in Long-Term Liabilities*

The following is a summary of changes in long-term liabilities for the year ended December 31, 2018:

	General Obligation Bond Payable	Unamortized Bond Premium	Capital Leases Payable	Compensated Absences Payable	OPEB Liability	Net Pension Liability	Total
Balance, beginning	\$ 850,000	\$ 9,750	\$ 137,355	\$ 26,553	\$ 145,910	\$ 1,917,052	\$ 3,086,620
Additions	-	-	264,807	3,343	48,428	-	316,578
Reductions	(85,000)	(975)	(150,683)	-	-	(106,152)	(342,810)
Balance, ending	<u>\$ 765,000</u>	<u>\$ 8,775</u>	<u>\$ 251,479</u>	<u>\$ 29,896</u>	<u>\$ 194,338</u>	<u>\$ 1,810,900</u>	<u>\$ 3,060,388</u>

*Debt Service Requirements to Maturity*

The annual debt service requirements to maturity for the bond outstanding as of year-end are as follow:

Year Ending December 31,	Principal	Interest	Total
2019	\$ 85,000	\$ 36,550	\$ 121,550
2020	85,000	32,300	117,300
2021	85,000	28,262	113,262
2022	85,000	24,225	109,225
2023	85,000	20,187	105,187
2024-2027	340,000	40,376	380,376
Totals	<u>\$ 765,000</u>	<u>\$ 181,900</u>	<u>\$ 946,900</u>

The future minimum lease obligations for the capital leases are as follow:

Year Ending December 31,	Principal	Interest	Total
2019	\$ 91,123	\$ 10,926	\$ 102,049
2020	56,922	7,203	64,125
2021	59,479	4,645	64,124
2022	43,955	1,974	45,929
Totals	<u>\$ 251,479</u>	<u>\$ 24,748</u>	<u>\$ 276,227</u>

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**III.C. Balances and Transfers – Payments Within the Reporting Entity**

**III.C.1. *Receivables and Payables***

Generally, outstanding balances between funds reported as “interfund receivables/payables” include outstanding charges by one fund to another for goods or services, subsidy commitments outstanding at year-end, or other miscellaneous amounts. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is also reported as “interfund receivables/payables.”

The following schedule reports receivables and payables within the reporting entity at year-end:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Nonmajor	General	\$ 9,878
Nonmajor	Permanent	696
		<u>\$ 10,574</u>

The amount due from the General Fund to the nonmajor Capital Projects Fund, represents \$9,878 withdrawn from the wrong capital reserve account, to be returned. The \$696 due from the Permanent Fund to the nonmajor Kimball Library Fund represents interest to be paid over when the investment matures.

**III.C.2. *Transfers***

Transfers within the reporting entity are substantially for the purposes of distributing taxes to the fund for which the appropriation was made, and distributing trust income and certain voted amounts to the applicable fund. The government-wide statement of activities eliminates transfers reported within the governmental activities columns.

The following schedule reports transfers within the reporting entity:

	<u>Transfers In:</u>
	Nonmajor
	Funds
Transfers out:	
General fund	\$ 125,000
Permenant fund	579
	<u>\$ 125,579</u>

The amount transferred to the nonmajor Capital Reserves Fund of \$125,000 from the General Fund represents voted appropriations. The \$579 transferred to the nonmajor Kimball Library Fund from the Permanent Fund represents interest earned in an endowment fund.

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**III.D. Restatement of Beginning Equity**

The equity balance of the governmental activities at January 1, 2018 was restated to reflect the following adjustment:

To restate for OPEB liability	\$ (145,910)
Net position, as previously reported	12,919,359
Net position, as restated	<u><u>\$ 12,773,449</u></u>

**III.E. Components of Fund Balance**

The components of fund balance, as described in note I.C.5., are classified for the following purposes:

	General Fund	Permanent Fund	Nonmajor Funds
Nonspendable:			
Endowments	\$ -	\$ 883,313	\$ -
Prepaid items	18,694	-	-
Tax deeded property	81,078	-	-
Total nonspendable	<u>99,772</u>	<u>883,313</u>	<u>-</u>
Restricted:			
General government	-	77,478	-
Public safety	-	-	95,286
Culture and recreation	-	-	35,400
Total restricted	<u>-</u>	<u>77,478</u>	<u>130,686</u>
Committed:			
General government	53,289	-	-
Public safety	16,981	-	22,073
Highways and streets	35,932	-	-
Culture and recreation	-	-	23,234
Conservation	-	-	541,771
Capital outlay	389,341	-	702,180
Total committed	<u>495,543</u>	<u>-</u>	<u>1,289,258</u>
Assigned:			
General government	3,500	-	-
Public safety	6,075	-	-
Highways and streets	41,145	-	-
Total assigned	<u>50,720</u>	<u>-</u>	<u>-</u>
Unassigned	1,261,247	-	-
Total fund balance	<u><u>\$ 1,907,282</u></u>	<u><u>\$ 960,791</u></u>	<u><u>\$ 1,419,944</u></u>

**III.F. Restricted Net Position**

The government-wide statement of net position includes restricted net position totaling \$1,091,477, which represents \$960,791 for public trust funds reported as restricted to reflect purpose restrictions

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contained in trust indentures; and \$35,400 for library funds and \$95,286 for drug forfeiture funds whose use is restricted by law.

#### **IV. Other Information**

##### **IV.A. Risk Management**

The Town's risk management activities are reported with governmental activities and recorded in the general fund. During the fiscal year, the Town was a member of the NH Public Risk Management Exchange (Primex), which is considered a public entity risk pool, currently operating as a common risk management and insurance program for member governmental entities. Primex's Workers' Compensation and Property and Liability Programs are pooled risk management programs under RSA 5-B and RSA 281-A. The membership and coverage run from January 1 to December 31.

Contributions paid in 2018 to be recorded as an insurance expenditure/expense totaled \$64,536 for property/liability and \$42,045 for workers' compensation. The Town also paid \$2,461 for unemployment compensation. There were no unpaid contributions for the year ending December 31, 2018. The member agreements permit Primex to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, Primex foresees no likelihood of any additional assessments for past years.

##### **IV.B. Retirement Pensions**

###### *General Information about the Pension Plan*

The New Hampshire Retirement System (NHRS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The NHRS provides service, disability, death and vested retirement benefits for employees and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and contributions. The NHRS issues a separate financial report that is available at [www.nhrs.org](http://www.nhrs.org) or by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

Both the members and the Town make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rates of contribution for police officers, firefighters and other employees are 11.55%, 11.8% and 7% of gross earnings, respectively. The rates of contribution from the Town were 29.43% for police, 31.89% for firefighters, and 11.38% for other employees. The rates are actuarially determined to generate an amount, that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the Town during the years 2016, 2017,

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and 2018 were \$140,941, \$169,321 and \$199,299, respectively. The amounts are paid on a monthly basis as due.

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

At December 31, 2018, the Town reported a liability of \$1,810,900 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017, rolled forward. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities and school districts, actuarially determined. As of June 30, 2018, the Town's proportion was 0.0376%, which was a decrease of 0.0013% from its proportion measured as of June 30, 2017.

For 2018, the Town recognized pension expense of \$257,124. At year-end, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 150,833	\$ 63,860
Net differences between projected and actual earnings on pension plan investments	-	41,906
Changes in assumptions	125,323	-
Differences between expected and actual experience	14,454	14,663
Town contributions subsequent to the measurement date	111,263	-
	<u>\$ 401,873</u>	<u>\$ 120,429</u>

The Town reported \$111,263 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the following year.

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Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follow:

Year Ending December 31,	
2019	\$ 135,787
2020	100,461
2021	(49,112)
2022	(16,955)
	<u>\$ 170,181</u>

*Actuarial Assumptions*

The total pension liability in the June 30, 2018 actuarial valuation was determined using the actuarial valuation as of June 30, 2017 rolled forward to June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry-Age Normal
Amortization Period	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018
Asset Valuation Method	5-year smoothed market for funding purposes, 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% average, including inflation
Municipal Bond Rate	3.62% per year
Investment Rate of Return	7.25% net of pension plan investment expense, including inflation

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

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

**TOWN OF ATKINSON, NEW HAMPSHIRE**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AS OF AND FOR THE YEAR ENDED**  
**DECEMBER 31, 2018**

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

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25%, 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 one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of net pension liability	\$ 2,409,417	\$ 1,810,900	\$ 1,309,324

Other actuarial assumptions, as well as detailed information about the pension plan's fiduciary net position, is available in the separately issued NHRS report.

**IV.C. Contingent Liabilities**

The Town has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies or their designee. These audits could result in a request for reimbursement from the grantor agency for costs disallowed under terms of the grant. Based on prior experience, the Town believes such disallowances, if any, will be immaterial.

**I.V.D. Other Postemployment Benefits**

*Plan Description*

In addition to providing pension benefits, the Town provides implicit postretirement medical benefits to its retired employees and their spouses, as required by NH RSA 100-A:50, *New Hampshire Retirement System: Medical Benefits*. The pre-65 benefits are the only benefits included in this valuation. Retirees under the age of 65 have a medical insurance plan with either Anthem Access Blue or CIGNA. Both Group I and Group II retirees, as categorized by the New Hampshire Retirement System, qualify for this benefit. Group I employees, hired prior to 7/1/11, may retire at age 60, or once their age plus years of service equals 70. Group I employees hired after 7/1/11 may retire at age 65. Group II employees vested prior to 1/1/12 may retire at age 60, or at age 45 with 20 years of service. Group II employees not vested prior to 1/1/12, but hired prior to 7/1/11, may retire at age 60, or upon attainment of minimum age and service requirements as follow:

Years of Creditable Service as of January 1, 2012	Minimum Age	Minimum Service
At least 8 but less than 10 years	46	21
At least 6 but less than 8 years	47	22
At least 4 but less than 6 years	48	23
Less than 4 years	49	24



**TOWN OF ATKINSON, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS  
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Group II employees hired on or after 7/1/11 may retire at age 60, or at age 52.5 with 25 years of service. Retirees contribute 100% of premiums for individual, two-person or family medical coverage. Surviving beneficiaries continue to receive access to the Town's medical coverage after the death of the retired employee as long as they pay the required premium. As of January 1, 2018, the actuarial valuation date, there is only one participant of the postretirement plan that meets eligibility requirements. The plan does not issue a separate financial report.

*Implicit Rate Subsidy*

Same benefit options are available to retirees as active employees. Health insurance is purchased through HealthTrust and Allegiant. The Town is a member of the under-100 employees' pool and their rates are determined based on the experience of the entire under-100 employees' pool. The claims experience for active employees and retirees are combined to determine the final premium rate. This single premium rate is called a blended premium because it blends the expected claims of both active and retired participants. Retirees are generally older than the average participant in a non-Medicare plan, which means they are expected to generate higher claims than the average participant of the plan; therefore, they are receiving a subsidy even if they pay 100% of the blended premium rate because they would be paying less in premiums than their claims cost.

*Medical Insurance Subsidy*

The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the Medical Subsidy amount, then only the health insurance premium will be paid. If the health insurance premium amount exceeds the Medical Subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. This OPEB plan is closed to new entrants.

*Total OPEB Liability*

The Town's total OPEB liability of \$194,338 consists of \$13,582 for the implicit rate subsidy determined by an actuarial valuation as of December 31, 2018 and \$180,756 for the medical insurance subsidy, determined by an actuarial valuation as of June 30, 2017 with roll-forward procedures used to determine the liability as of June 30, 2018. The roll-forward of the total OPEB liability from June 30, 2017 to June 30, 2018 reflects expected service cost and interest reduced by actual benefit payments and refunds for the plan year.

**TOWN OF ATKINSON, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2018**

*Methods and Assumptions*

The collective total OPEB liability was based on the following actuarial assumptions:

Implicit Rate Subsidy		
Payroll Growth	2.50%	
Discount Rate	4.10%	
Inflation	0.00%	
Investment Rate of Return	N/A	
Mortality	RP-2014 Mortality Table fully generational using Scale MP-2017	
Healthcare Cost Trend Rates	2018	9.00%
	2019	8.00%
	2020	7.00%
	2021	6.00%
	2022+	5.00%
Medical Insurance Subsidy		
Payroll Growth	3.25%	
Discount Rate	7.25%	
Inflation	2.5%	
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation	
Mortality	RP-2014 Health Annuitant and Employee Generational Mortality Table with males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015 based on the last experience study	
Healthcare Cost Trend Rates	N/A, given that the benefits are fixed stipends	

*Sensitivity of Total OPEB Liability*

Assumptions and methods used to determine the total OPEB liability are sensitive to changes in the discount rate and healthcare trend rates. The following presents the total OPEB liability calculated using the current discount rates, as well as what the total OPEB liability would be if it were calculated using a discount rate 1-percentage point lower or 1-percentage point higher:

Implicit Rate Subsidy:

	1% Decrease (3.10%)	Current Discount Rate (4.10%)	1% Increase (5.10%)
Town's total OPEB liability	\$ 14,193	\$ 13,582	\$ 13,003

**TOWN OF ATKINSON, NEW HAMPSHIRE  
NOTES TO THE FINANCIAL STATEMENTS  
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DECEMBER 31, 2018**

Medical Insurance Subsidy:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's total OPEB liability	\$ 188,131	\$ 180,756	\$ 160,095

The following presents the total OPEB liability for the implicit rate subsidy calculated using the current healthcare cost trend rate as well as what the total OPEB liability would be if it were calculated using a healthcare trend rate 1-percentage point lower of 1-percentage point higher:

	1% Decrease (7.00%)	Current Healthcare Cost Trend Rate (8.00%)	1% Increase (9.00%)
Town's total OPEB liability	\$ 12,654	\$ 13,582	\$ 14,628

Healthcare cost trend rates are not applicable for the medical insurance subsidy given that the benefits are fixed stipends.

*OPEB Expense and Deferred Inflows and Outflows of Resources Related to OPEB*

For the year ended December 31, 2018, the Town recognized OPEB expense of \$36,383; and reported deferred outflows of resources of \$12,974 and deferred inflows of resources of \$929, due to changes in actuarial experience and actuarial assumptions. The net amount recognized as deferred inflows and outflows of resources will be recognized in OPEB expense as follows:

Year Ending December 31,	
2019	\$ 12,750
2020	(224)
2021	(224)
2022	(82)
2023	(45)
2024	(130)
	<u>\$ 12,045</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

**EXHIBIT 10**  
**TOWN OF ATKINSON, NEW HAMPSHIRE**  
*Schedule of the Town's Proportionate Share of the Net Pension Liability*  
**New Hampshire Retirement System**

	2018	2017	2016	2015	2014
Town's proportion of net pension liability	0.0376%	0.0389%	0.0394%	0.0333%	0.0289%
Town's proportionate share of the net pension liability	\$ 1,810,900	\$ 1,917,052	\$ 2,093,021	\$ 1,317,983	\$ 1,086,285
Town's covered-employee payroll	\$ 1,017,627	\$ 937,348	\$ 1,274,718	\$ 806,891	\$ 634,599
Town's proportionate share of the net pension liability as a percentage of covered-employee payroll	177.95%	204.52%	164.19%	163.34%	171.18%
Plan fiduciary position as a percentage of the total pension liability	64.73%	62.66%	58.30%	65.47%	66.32%

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

**EXHIBIT 11**  
**TOWN OF ATKINSON, NEW HAMPSHIRE**  
**Schedule of the Town's Pension Contributions**  
**New Hampshire Retirement System**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 199,299	\$ 169,321	\$ 140,941	\$ 111,615	\$ 93,888
Contribution in relation to the contractually required contribution	<u>\$ (199,299)</u>	<u>\$ (169,321)</u>	<u>\$ (140,941)</u>	<u>\$ (111,615)</u>	<u>\$ (93,888)</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$ 1,017,627	\$ 937,348	\$ 1,274,718	\$ 806,891	\$ 634,599
Contributions as a percentage of covered-employee payroll	19.58%	18.06%	11.06%	13.83%	14.79%

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

**EXHIBIT 12**  
**TOWN OF ATKINSON**  
***Schedule of Changes in the Town's Total OPEB Liability and Related Ratios***

	2018
Total OPEB liability:	
Service cost	\$ 3,190
Interest	48,751
Projected earnings on plan investments	(3,741)
Change in assumptions and other inputs	(400)
OPEB plan administrative expense and other non-contribution items	107
Difference between expected and actual earnings on OPEB investments	(638)
Difference between expected and actual experience	14,022
Benefit payments	(12,863)
Net change in total OPEB liability	48,428
Total OPEB liability, beginning	145,910
Total OPEB liability, ending	\$ 194,338
 Covered payroll	 \$ 1,017,627
 Total OPEB liability as a percentage of covered payroll	 19.10%

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

**EXHIBIT 13**  
**TOWN OF ATKINSON**  
***Schedule of the Town's OPEB Contributions***

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	2018
Actuarially determined contribution	\$ 19,856
Contributions in relation to the actuarially determined contribution	(19,856)
Contribution deficiency	\$ -
 Covered-employee payroll	 \$ 1,017,627
Contributions as a percentage of covered-employee payroll	1.95%

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



**TOWN OF ATKINSON, NEW HAMPSHIRE  
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION  
AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2018**

The Pension Schedules and OPEB Schedules are meant to present related information for ten years. Because this is the fourth year that the Town has reported pension schedules, and the first year for the OPEB information under the new measurement standard, only five and one year, respectively, are presented. An additional year's information will be added each year until there are ten years shown.

**COMBINING NONMAJOR AND INDIVIDUAL GENERAL FUND SCHEDULES**

**EXHIBIT 14**  
**TOWN OF ATKINSON, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2018**

	Special Revenue Funds					Capital Projects Fund	
	Kimball Library	Police Special Detail	Conservation Commission	Recreation Revolving	Drug Forfeiture	Capital Reserves	Total
<b>ASSETS</b>							
Cash and cash equivalents	\$ 34,704	\$ 19,975	\$ 308,306	\$ 23,234	\$ 95,286	\$ -	\$ 481,505
Investments	-	-	233,465	-	-	692,302	925,767
Accounts receivable	-	2,963	-	-	-	-	2,963
Interfund receivable	696	-	-	-	-	9,878	10,574
Total assets	<u>\$ 35,400</u>	<u>\$ 22,938</u>	<u>\$ 541,771</u>	<u>\$ 23,234</u>	<u>\$ 95,286</u>	<u>\$ 702,180</u>	<u>\$ 1,420,809</u>
<b>LIABILITIES AND FUND BALANCES</b>							
Liabilities:							
Accrued salaries and benefits	<u>\$ -</u>	<u>\$ 865</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 865</u>
Fund balances:							
Restricted	35,400	-	-	-	95,286	-	130,686
Committed	-	22,073	541,771	23,234	-	702,180	1,289,258
Total fund balances	<u>35,400</u>	<u>22,073</u>	<u>541,771</u>	<u>23,234</u>	<u>95,286</u>	<u>702,180</u>	<u>1,419,944</u>
Total liabilities and fund balances	<u>\$ 35,400</u>	<u>\$ 22,938</u>	<u>\$ 541,771</u>	<u>\$ 23,234</u>	<u>\$ 95,286</u>	<u>\$ 702,180</u>	<u>\$ 1,420,809</u>

**EXHIBIT 15**  
**TOWN OF ATKINSON, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended December 31, 2018**

	Special Revenue Funds					Capital Projects Fund	
	Kimball Library	Police Special Detail	Conservation Commission	Recreation Revolving	Drug Forfeiture	Capital Reserves	Total
<b>REVENUES</b>							
Taxes	\$ -	\$ -	\$ 207,700	\$ -	\$ -	\$ -	\$ 207,700
Intergovernmental	-	-	-	-	58,823	-	58,823
Charges for services	-	99,753	-	25,716	-	-	125,469
Miscellaneous	22,908	-	5,905	3,379	232	12,199	44,623
Total revenues	22,908	99,753	213,605	29,095	59,055	12,199	436,615
<b>EXPENDITURES</b>							
Current:							
General government	-	-	-	-	-	2,257	2,257
Public safety	-	97,256	-	-	68,946	-	166,202
Culture and recreation	20,978	-	-	19,991	-	-	40,969
Capital outlay	-	-	-	-	-	3,162	3,162
Total expenditures	20,978	97,256	-	19,991	68,946	5,419	212,590
Excess (deficiency) of revenues over (under) expenditures	1,930	2,497	213,605	9,104	(9,891)	6,780	224,025
Other financing sources:							
Transfers in	579	-	-	-	-	125,000	125,579
Net change in fund balances	2,509	2,497	213,605	9,104	(9,891)	131,780	349,604
Fund balances, beginning	32,891	19,576	328,166	14,130	105,177	570,400	1,070,340
Fund balances, ending	\$ 35,400	\$ 22,073	\$ 541,771	\$ 23,234	\$ 95,286	\$ 702,180	\$ 1,419,944

**EXHIBIT 16**  
**TOWN OF ATKINSON, NEW HAMPSHIRE**  
**General Fund**  
**Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2018**

	Estimated	Actual	Variance Positive (Negative)
<b>Taxes:</b>			
Property	\$ 2,684,186	\$ 2,837,659	\$ 153,473
Timber	7,457	7,458	1
Interest and penalties on delinquent taxes	55,220	122,018	66,798
Total taxes	<u>2,746,863</u>	<u>2,967,135</u>	<u>220,272</u>
<b>Licenses, permits and fees:</b>			
Business licenses and permits	5,875	6,279	404
Motor vehicle permits	1,751,810	1,820,972	69,162
Building permits	172,799	165,211	(7,588)
Other	207,572	194,307	(13,265)
Total licenses, permits and fees	<u>2,138,056</u>	<u>2,186,769</u>	<u>48,713</u>
<b>Intergovernmental:</b>			
State sources:			
Meals and rooms distributions	350,073	350,073	-
Highway block grant	163,381	163,288	(93)
Other	7,859	7,859	-
Total intergovernmental	<u>521,313</u>	<u>521,220</u>	<u>(93)</u>
<b>Charges for services:</b>			
Income from departments	<u>60,078</u>	<u>63,588</u>	<u>3,510</u>
<b>Miscellaneous:</b>			
Sale of property	14,101	14,381	280
Interest on investments	44,640	32,841	(11,799)
Rent of property	5,400	4,725	(675)
Total miscellaneous	<u>64,141</u>	<u>51,947</u>	<u>(12,194)</u>
<b>Other financing sources:</b>			
Transfers in:			
Nonmajor funds	<u>262,000</u>	<u>-</u>	<u>(262,000)</u>
Total revenues and other financing sources	5,792,451	<u>\$ 5,790,659</u>	<u>\$ (1,792)</u>
Fund balance appropriated	134,500		
Total revenues, other financing sources and use of fund balance	<u>\$ 5,926,951</u>		

**EXHIBIT 17**  
**TOWN OF ATKINSON, NEW HAMPSHIRE**  
**General Fund**  
**Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2018**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 282,839	\$ 268,516	\$ 3,500	\$ 10,823
Election and registration	-	179,425	170,685	-	8,740
Financial administration	590	285,998	271,105	-	15,483
Legal	-	38,200	31,947	-	6,253
Personnel administration	-	44,506	44,506	-	-
Planning and zoning	-	21,150	18,963	-	2,187
General government buildings	-	160,982	154,239	-	6,743
Cemeteries	-	67,521	65,731	-	1,790
Insurance, not otherwise allocated	1,000	62,036	64,536	-	(1,500)
Advertising and regional associations	-	6,748	6,748	-	-
Total general government	1,590	1,149,405	1,096,976	3,500	50,519
Public safety:					
Police	2,568	1,041,562	964,123	3,875	76,132
Ambulance	-	97,244	103,330	-	(6,086)
Fire	4,933	300,435	312,784	2,200	(9,616)
Building inspection	-	106,811	106,919	-	(108)
Emergency management	-	500	-	-	500
Other	-	43,737	43,737	-	-
Total public safety	7,501	1,590,289	1,530,893	6,075	60,822
Highways and streets:					
Administration	-	184,259	166,546	-	17,713
Highways and streets	112,949	363,890	371,495	41,145	64,199
Street lighting	-	44,000	45,839	-	(1,839)
Total highways and streets	112,949	592,149	583,880	41,145	80,073
Sanitation:					
Solid waste disposal	3,750	50,519	75,151	-	(20,882)
Solid waste clean-up	-	511,634	629,779	-	(118,145)
Total sanitation	3,750	562,153	704,930	-	(139,027)
Health:					
Administration	-	9,249	8,717	-	532
Health agencies and hospitals	-	23,077	23,075	-	2
Other	-	16,917	7,652	-	9,265
Total health	-	49,243	39,444	-	9,799
Welfare:					
Administration and direct assistance	-	17,000	6,283	-	10,717

(continued)

**EXHIBIT 17 (continued)**  
**TOWN OF ATKINSON, NEW HAMPSHIRE**  
**General Fund**  
**Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2018**

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive Negative
Culture and recreation:					
Parks and recreation	-	196,904	189,198	-	7,706
Public library	-	456,391	449,379	-	7,012
Patriotic purposes	-	3,775	3,054	-	721
Other	-	59,375	37,908	-	21,467
Total culture and recreation	-	716,445	679,539	-	36,906
Conservation	900	9,027	9,600	-	327
Debt service:					
Principal	-	85,000	85,000	-	-
Interest	-	40,800	40,800	-	-
Total debt service	-	125,800	125,800	-	-
Capital outlay:					
Land	-	350,750	200,250	150,500	-
Machinery, vehicles and equipment	55,000	350,300	98,682	52,913	253,705
Buildings	2,214	240,000	3,373	238,841	-
Total capital outlay	57,214	941,050	302,305	442,254	253,705
Other financing uses:					
Transfers out:					
Expendable trust fund	-	174,390	174,390	-	-
Total encumbrances, appropriations, expenditures and other financing uses	\$ 183,904	\$ 5,926,951	\$ 5,254,040	\$ 492,974	\$ 363,841

**EXHIBIT 18**  
**TOWN OF ATKINSON, NEW HAMPSHIRE**  
**General Fund**  
***Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)***  
***For the Year Ended December 31, 2018***

Unassigned fund balance, beginning		\$ 1,314,113
Changes:		
Unassigned fund balance appropriated		(134,500)
Budget summary:		
Revenue shortfall (Exhibit 16)	\$ (1,792)	
Unexpended balance of appropriations (Exhibit 17)	<u>363,841</u>	
Budget surplus		362,049
Decrease in nonspendable fund balance		<u>44,298</u>
Unassigned fund balance, ending		<u><u>\$ 1,585,960</u></u>





# Roberts & Greene, PLLC

## INDEPENDENT AUDITOR'S COMMUNICATION TO MANAGEMENT

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

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Atkinson as of and for the year ended December 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

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

This communication is intended solely for the information and use of the Board of Selectmen and others within the Town of Atkinson, and is not intended to be, and should not be, used by anyone other than these specified parties.

*Roberts & Greene, PLLC*

Concord, New Hampshire  
August 26, 2019