

**TOWN OF RYE,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018**

TOWN OF RYE, NEW HAMPSHIRE
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DECEMBER 31, 2018

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BASIC FINANCIAL STATEMENTS



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Select Board
Town of Rye
Rye, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Rye 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 aggregate remaining fund information of the Town of Rye, as of December 31, 2018, the respective changes in financial position, and the respective budgetary comparison for the general fund, for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Notes 1-P and 13 to the financial statements, in fiscal year 2018 the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

Town of Rye
Independent Auditor's Report

Other Matters

Management's Discussion and Analysis – Management has omitted a 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 the missing information.

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Schedule of the Town's Proportionate Share of Net Pension Liability,
- Schedule of Town Contributions – Pensions,
- Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefit Plan Liability,
- Schedule of Town Contributions – Other Postemployment Benefits,
- Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

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.

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

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

January 31, 2020

Plodzik & Sanderson
Professional Association

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 11,122,224
Investments	5,231,562
Taxes receivables (net)	829,767
Account receivables (net)	104,417
Intergovernmental receivable	5,761
Inventory	5,774
Capital assets:	
Land and construction in progress	14,848,639
Other capital assets, net of depreciation	19,676,951
Total assets	<u>51,825,095</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	1,110,114
Amounts related to other postemployment benefits	118,342
Total deferred outflows of resources	<u>1,228,456</u>
LIABILITIES	
Accounts payable	71,465
Accrued salaries and benefits	77,113
Accrued interest payable	28,552
Intergovernmental payable	5,926,860
Long-term liabilities:	
Due within one year	409,727
Due in more than one year	11,705,323
Total liabilities	<u>18,219,040</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	281,919
Unavailable revenue - grants	2,615
Amounts related to pensions	374,863
Amounts related to other postemployment benefits	2,405
Total deferred inflows of resources	<u>661,802</u>
NET POSITION	
Net investment in capital assets	32,793,121
Restricted	4,208,543
Unrestricted	<u>(2,828,955)</u>
Total net position	<u>\$ 34,172,709</u>

The Notes to the Basic Financial Statements are an integral part of this schedule.

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

		Program Revenues		Net (Expense)
		Charges	Operating	Revenue and
		for	Grants and	Change In
	Expenses	Services	Contributions	Net Position
General government	\$ 1,927,425	\$ 48,297	\$ -	\$ (1,879,128)
Public safety	3,607,823	319,872	129,391	(3,158,560)
Highways and streets	2,208,787	2,661	138,512	(2,067,614)
Sanitation	703,077	337,747	9,322	(356,008)
Health	106,142	-	-	(106,142)
Welfare	24,691	-	-	(24,691)
Culture and recreation	1,363,387	240,393	73,485	(1,049,509)
Conservation	77,184	-	3,521	(73,663)
Interest on long-term debt	44,531	-	-	(44,531)
Total governmental activities	<u>\$ 10,063,047</u>	<u>\$ 948,970</u>	<u>\$ 354,231</u>	<u>(8,759,846)</u>
General revenues:				
Taxes:				
Property				6,310,964
Other				125,392
Motor vehicle permit fees				1,619,072
Licenses and other fees				252,600
Grants and contributions not restricted to specific programs				293,216
Unrestricted investment earnings				(141,566)
Miscellaneous				119,121
Total general revenues				<u>8,578,799</u>
Change in net position				(181,047)
Net position, beginning, as restated (see Note 17)				34,353,756
Net position, ending				<u>\$ 34,172,709</u>

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

EXHIBIT C-1
TOWN OF RYE, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2018

	General	Permanent	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 8,922,527	\$ 103,084	\$ 2,096,613	\$ 11,122,224
Investments	1,477,037	3,703,485	51,040	5,231,562
Receivables:				
Taxes	848,267	-	-	848,267
Accounts (net)	61,390	-	43,027	104,417
Intergovernmental	5,761	-	-	5,761
Interfund receivable	55,938	-	-	55,938
Voluntary tax liens	250,948	-	-	250,948
Voluntary tax liens reserved until collected	(250,948)	-	-	(250,948)
Inventory	5,774	-	-	5,774
Total assets	<u>\$ 11,376,694</u>	<u>\$ 3,806,569</u>	<u>\$ 2,190,680</u>	<u>\$ 17,373,943</u>
LIABILITIES				
Accounts payable	\$ 52,967	\$ -	\$ 18,498	\$ 71,465
Accrued salaries and benefits	73,567	-	3,546	77,113
Intergovernmental payable	5,926,860	-	-	5,926,860
Interfund payable	-	36,302	19,636	55,938
Total liabilities	<u>6,053,394</u>	<u>36,302</u>	<u>41,680</u>	<u>6,131,376</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - Property taxes	387,915	-	-	387,915
Unavailable revenue - Grants received in advance	-	-	2,615	2,615
Total deferred inflows of resources	<u>387,915</u>	<u>-</u>	<u>2,615</u>	<u>390,530</u>
FUND BALANCES				
Nonspendable	5,774	3,742,414	-	3,748,188
Restricted	542,601	27,853	27,035	597,489
Committed	1,242,774	-	2,132,448	3,375,222
Assigned	508,714	-	-	508,714
Unassigned	2,635,522	-	(13,098)	2,622,424
Total fund balances	<u>4,935,385</u>	<u>3,770,267</u>	<u>2,146,385</u>	<u>10,852,037</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 11,376,694</u>	<u>\$ 3,806,569</u>	<u>\$ 2,190,680</u>	<u>\$ 17,373,943</u>

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

EXHIBIT C-2
TOWN OF RYE, NEW HAMPSHIRE
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
December 31, 2018

Amounts reported for governmental activities in the Statement of Net
Position are different because:

Total fund balances of governmental funds (Exhibit C-1)		\$ 10,852,037
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 60,848,681	
Less accumulated depreciation	<u>(26,323,091)</u>	
		34,525,590
Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 1,110,114	
Deferred inflows of resources related to pensions	(374,863)	
Deferred outflows of resources related to OPEB	118,342	
Deferred inflows of resources related to OPEB	<u>(2,405)</u>	
		851,188
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (55,938)	
Payables	<u>55,938</u>	
		-
Long-term revenue (taxes) is not available to pay current-period expenditures, and therefore, is deferred in the governmental funds.		105,996
Allowance for uncollectible property taxes that is recognized on a full accrual basis, but not on the modified accrual basis.		(18,500)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(28,552)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bonds	\$ 1,544,000	
Unamortized bond premium	188,469	
Compensated absences	548,014	
Accrued landfill postclosure care costs	450,000	
Net pension liability	6,964,742	
Other postemployment benefits	<u>2,419,825</u>	
		<u>(12,115,050)</u>
Net position of governmental activities (Exhibit A)		<u>\$ 34,172,709</u>

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

EXHIBIT C-3
TOWN OF RYE, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2018

	General	Permanent	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 6,518,638	\$ -	\$ -	\$ 6,518,638
Licenses and permits	1,871,672	-	-	1,871,672
Intergovernmental	453,235	-	59,443	512,678
Charges for services	300,161	-	648,809	948,970
Miscellaneous	189,922	(211,128)	81,076	59,870
Total revenues	9,333,628	(211,128)	789,328	9,911,828
EXPENDITURES				
Current:				
General government	1,722,625	100,111	1,552	1,824,288
Public safety	3,094,917	-	111,776	3,206,693
Highways and streets	1,225,406	-	-	1,225,406
Sanitation	469,112	-	224,088	693,200
Health	106,142	-	-	106,142
Welfare	24,691	-	-	24,691
Culture and recreation	1,089,702	-	214,431	1,304,133
Conservation	67,441	-	300,880	368,321
Debt service:				
Principal	305,000	-	-	305,000
Interest	62,196	-	-	62,196
Capital outlay	463,563	-	109,035	572,598
Total expenditures	8,630,795	100,111	961,762	9,692,668
Excess (deficiency) of revenues over (under) expenditures	702,833	(311,239)	(172,434)	219,160
OTHER FINANCING SOURCES (USES)				
Transfers in	26,786	-	-	26,786
Transfers out	-	(26,786)	-	(26,786)
Bond proceeds	250,000	-	300,000	550,000
Total other financing sources (uses)	276,786	(26,786)	300,000	550,000
Net change in fund balances	979,619	(338,025)	127,566	769,160
Fund balances, beginning, as restated (see Note 17)	3,955,766	4,108,292	2,018,819	10,082,877
Fund balances, ending	\$ 4,935,385	\$ 3,770,267	\$ 2,146,385	\$ 10,852,037

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

EXHIBIT C-4
TOWN OF RYE, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2018

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 769,160
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Capitalized capital outlay	\$ 683,276	
Depreciation expense	<u>(987,078)</u>	
		(303,802)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (26,786)	
Transfers out	<u>26,786</u>	
		-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Change in deferred tax revenue		(29,828)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Proceeds of debt	\$ (489,000)	
Bond premium on new issuance	(61,000)	
Repayment of bond principal	305,000	
Amortization of bond premium	<u>24,626</u>	
		(220,374)
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	\$ (6,961)	
Increase in compensated absences	(11,651)	
Net change in net pension liability, and related deferred outflows of resources and deferred inflows of resources	(62,747)	
Net change in other postemployment benefits liability, and related deferred outflows of resources and deferred inflows of resources	<u>(314,844)</u>	
		(396,203)
Changes in net position of governmental activities (Exhibit B)		<u>\$ (181,047)</u>

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

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

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 6,523,610	\$ 6,488,810	\$ (34,800)
Licenses and permits	1,754,415	1,871,672	117,257
Intergovernmental	440,098	453,235	13,137
Charges for services	244,075	300,161	56,086
Miscellaneous	70,144	118,952	48,808
Total revenues	9,032,342	9,232,830	200,488
EXPENDITURES			
Current:			
General government	1,693,336	1,663,614	29,722
Public safety	3,228,321	3,082,357	145,964
Highways and streets	1,307,277	1,270,407	36,870
Water distribution and treatment	30,000	-	30,000
Sanitation	415,248	459,531	(44,283)
Health	107,294	106,142	1,152
Welfare	40,000	24,691	15,309
Culture and recreation	1,053,570	1,049,639	3,931
Conservation	90,600	77,347	13,253
Debt service:			
Principal	305,000	305,000	-
Interest	62,696	62,196	500
Capital outlay	734,000	743,262	(9,262)
Total expenditures	9,067,342	8,844,186	223,156
Excess (deficiency) of revenues over (under) expenditures	(35,000)	388,644	423,644
OTHER FINANCING SOURCES (USES)			
Transfers in	45,000	-	(45,000)
Transfers out	(290,000)	(290,000)	-
Bond proceeds	280,000	250,000	(30,000)
Total other financing sources (uses)	35,000	(40,000)	(75,000)
Net change in fund balances	\$ -	348,644	\$ 348,644
Decrease in nonspendable fund balance		8,691	
Increase in restricted fund balance		(10,131)	
Decrease in assigned fund balance (non-encumbrance)		150,000	
Unassigned fund balance, beginning, as restated (see Note 17)		2,225,814	
Unassigned fund balance, ending		\$ 2,723,018	

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

EXHIBIT E-1
TOWN OF RYE, NEW HAMPSHIRE
Fiduciary Funds
Statement of Net Position
December 31, 2018

	Private Purpose Trust	Agency
ASSETS		
Cash and cash equivalents	\$ -	\$ 76,623
Investments	5,072	759,271
Total assets	<u>5,072</u>	<u>\$ 835,894</u>
LIABILITIES		
Intergovernmental payable	-	759,271
Due to others	-	76,623
Total liabilities	<u>-</u>	<u>\$ 835,894</u>
NET POSITION		
Held in trust for specific purposes	<u>\$ 5,072</u>	

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

EXHIBIT E-2
TOWN OF RYE, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Net Position
For the Fiscal Year Ended December 31, 2018

	Private Purpose Trust
ADDITIONS	
Interest	\$ 92
Net position, beginning	4,980
Net position, ending	<u>\$ 5,072</u>

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

TOWN OF RYE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

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TOWN OF RYE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

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TOWN OF RYE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Rye, New Hampshire (the Town), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In 2018, the Town implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, which changed the way other postemployment benefit (OPEB) liabilities and related expenses are recorded. See Note 1-P for further information on this pronouncement.

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

1-A Reporting Entity

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

1-B Basis of Accounting, and Measurement Focus

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements – The Town's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present a summary of the governmental activities for the Town. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Town are reported in two categories: 1) charges for services and 2) operating grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

Governmental Fund Financial Statements – Include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for each major governmental fund individually and all nonmajor funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The Town has presented all major funds that met those qualifications.

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

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

The Town reports the following major governmental funds:

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

Permanent Funds – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town. These can include legal trusts for which the interest on the corpus provides funds for the Town’s cemetery operations.

Additionally, the Town reports the following fund types:

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

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

Fiduciary Fund Financial Statements – Include a Statement of Net Position and a Statement of Changes in Net Position. The Town’s fiduciary funds are private purpose trust and agency funds. These funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting.

The Town reports the following fiduciary funds:

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

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

1-C Cash and Cash Equivalents

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

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

1-D Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- 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.

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Any person who directly or indirectly receives any such funds or moneys 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.

Fair Value Measurements of Investments – In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 – Inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date. Directly held marketable equity securities would be examples of Level 1 investments.

Level 2 – Inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2. All of the Town's holdings in the New Hampshire Public Deposit Investment Pool (NHPDIP), would be examples of Level 2 investments.

Level 3 – Inputs are significant unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, it is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. In determining fair value, the Town utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

Investments in Certain External Investment Pools – In accordance with GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, the Town held investments with the New Hampshire Public Deposit Investment Pool (NHPDIP) are categorized as Level 2. The NHPDIP measures all of its investments at amortized cost. There are no redemption restrictions and shares may be redeemed by the Town in accordance with the NHPDIP's Information Statement.

1-E Receivables

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-F Inventory

The inventories of the Town are valued at cost using the first-in/first-out (FIFO) method. The inventories of the Town's general fund consist of expendable materials and supplies held for consumption. The cost is recorded as an expenditure/expense when consumed rather than when purchased.

1-G Capital Assets

Capital assets include property, plant and equipment, infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), and intangible assets (i.e. easements) which are reported in the governmental activities in the government-wide financial statements. The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position.

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Capital assets are defined by the Town as assets with an initial, individual cost of more than \$15,000 and an estimated useful life in excess of five years. Such assets are carried at historical cost or estimated historical cost. When the cost of the capital assets cannot be determined from available records, estimated historical cost is used. Donated capital assets received on or prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

Capital Asset Classes:	<u>Years</u>
Land improvements	10-25
Buildings and building improvements	50-100
Vehicles	5-25
Equipment	3-20
Infrastructure	30-50

1-H Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e. the current portion of interfund loans). Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

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

1-I Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year in accordance with RSA 76:15-a, *Semi-Annual Collection of Taxes in certain Towns and Cities*. Warrants for the year were issued on May 24, 2018 and November 16, 2018, and were due on July 6, 2018 and December 18, 2018, respectively. Interest accrues at a rate of 12% on bills outstanding after the due date and 18% on tax liens outstanding.

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

The Town net assessed valuation as of April 1, 2018 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 2,136,328,500
For all other taxes	\$ 2,143,217,100

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

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$3.01	\$ 6,450,090
School portion:		
State of New Hampshire	\$2.21	4,715,140
Local	\$3.88	8,325,155
County portion	\$1.01	2,162,315
Precinct portions:		
Jenness Beach	\$0.17	79,806
Rye Beach Village	\$0.49	129,499
Rye Water District	\$0.49	662,587
Total	<u>\$11.26</u>	<u>\$ 22,524,592</u>

1-J Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2018.

1-K Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the Town after the measurement date but before the end of the Town's reporting period.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within 60 days after year-end.

1-L Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position. Bond premiums are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and bond issuance costs during the current period. The face amount of debt issued, along with any premium received, is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

1-M Compensated Absences

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

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1-N Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. Claims and judgments are recorded in the government-wide financial statements as an expense when the related liabilities are incurred.

1-O Defined Benefit Pension Plan

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

The schedules prepared by the New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

1-P Postemployment Benefits Other Than Pensions

The Town maintains two separate other postemployment benefit plans (OPEB), as follows:

New Hampshire Retirement System Plan – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Single Employer Plan – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the Town's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

1-Q Net Position/Fund Balances

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

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a further project.

Unrestricted net position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

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

Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form (such as inventory); or (b) are legally or contractually required to be maintained intact.

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

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed.

Assigned – Amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Select Board through the budgetary process.

Unassigned – Amounts that are available for any purpose. Positive amounts are reported only in the general fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by the offsetting of assigned fund balance amounts.

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

In the general fund, the Select Board will maintain an appropriate level of unassigned fund balance following the guidelines established by the New Hampshire Government Finance Officers Association (NHGFOA), which are as follows:

- 5% to 15% of regular general fund operating revenues, or
- 5% to 17% of regular general fund operating expenditures.

1-R Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the general fund, as well as six nonmajor funds (beach cleaning, beach parking permits, parsonage, recreation, police outside detail, and sewer). Except as reconciled below, the budget was adopted on a basis consistent with US generally accepted accounting principles.

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

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

State statutes require balanced budgets, but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2018, none of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

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

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

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$ 9,482,830
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	70,970
To record transfers into the blended funds	26,786
Change in deferred tax revenue relating to 60-day revenue recognition	
recognized as revenue on the GAAP basis, but not on the budgetary basis	29,828
Per Exhibit C-3 (GAAP basis)	<u>\$ 9,610,414</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$ 9,134,186
Adjustment:	
Basis differences:	
Encumbrances, beginning	183,310
Encumbrances, ending	(508,714)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	267,613
To eliminate transfers between general and blended funds	(445,600)
Per Exhibit C-3 (GAAP basis)	<u>\$ 8,630,795</u>

2-C Deficit Fund Balances

The nonmajor beach cleaning special revenue fund had a deficit fund balance at December 31, 2018. This deficit will be financed through future revenues of the fund.

2-D Accounting Change/Restatement

Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), was implemented during fiscal year 2018. The revised requirements establish new financial reporting requirements for state and local governments which provide their employees with OPEB benefits, including additional note disclosure and required supplementary information. In addition, GASB Statement No. 75 requires a state or local

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government employer to use the entry age normal actuarial cost method and requires deferred outflows of resources and deferred inflows of resources which arise from other types of events related to OPEB to be recognized. Beginning net position for governmental activities was restated to retroactively report the change in valuation of the beginning total OPEB liability, deferred inflows and outflows of resources, as follows:

	Local OPEB	State OPEB	Total OPEB
Change in total OPEB liability under current standards, January 1	\$ (1,452,525)	\$ (459,447)	\$ (1,911,972)
Initial balance of deferred outflows of resources	-	33,556	33,556
Initial balance of deferred inflows of resources	-	(1,581)	(1,581)
Cumulative restatement related to GASB No. 75 implementation (see Note 17)	<u>\$ (1,452,525)</u>	<u>\$ (427,472)</u>	<u>\$ (1,879,997)</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits are covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits was \$11,198,847 and the bank balances totaled \$11,298,603. Petty cash totaled \$1,150.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 11,122,224
Cash per Statement of Net Position - Fiduciary Fund (Exhibit E-1)	76,623
Total cash and cash equivalents	<u>\$ 11,198,847</u>

NOTE 4 – INVESTMENTS

Note 1-D describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements and maturities as of December 31, 2018:

	Valuation Measurement Method	Fair Value
Investments type:		
Common stock	Level 1	\$ 3,150,608
Mutual funds	Level 1	25,871
New Hampshire Public Deposit Investment Pool	Level 2	2,343,840
Other	Level 1	475,586
Total fair value		<u>\$ 5,995,905</u>

The Town's investment policy provides specific guidelines on the types of eligible investments the Town may invest in, which varies depending on the purpose of the fund. The investment policy defines credit rating requirements as a means to limit credit risk and limits final maturity for any such investments to 30 years from the purchase date to limit interest rate risk. Investments in any single issuer or security are limited to 10% of the fund's total value, and investments in any single equity sector are limited to 40% of the fund's total value. The Town does not have any issuers that exceed more than 5% of the Town's total investments.

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Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 5,231,562
Investments per Statement of Net Position - Fiduciary Funds (Exhibit E-1)	764,343
Total investments	<u>\$ 5,995,905</u>

NOTE 5 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2018. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2018	\$ 736,372	\$ 736,372
Unredeemed (under tax lien):		
Levy of 2017	53,221	53,221
Levy of 2016	21,940	21,940
Levies of 2015 and prior	3,479	3,479
Land use change	33,255	33,255
Less: allowance for estimated uncollectible taxes	(18,500) *	-
Net taxes receivable	<u>\$ 829,767</u>	<u>\$ 848,267</u>

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

NOTE 6 – OTHER RECEIVABLES

Receivables at December 31, 2018, consisted of accounts (billings for ambulance, parking fines, police details, sewer, recreation, and other user charges), intergovernmental amounts, and voluntary tax liens. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of December 31, 2018 for the Town's individual major fund and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	General	Nonmajor Funds
Receivables:		
Accounts	\$ 103,356	\$ 44,166
Intergovernmental	5,761	-
Liens	250,948	-
Gross receivables	360,065	44,166
Less: allowance for uncollectibles	(292,914)	(1,139)
Net total receivables	<u>\$ 67,151</u>	<u>\$ 43,027</u>

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NOTE 7 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 11,291,281	\$ 300,000	\$ -	\$ 11,591,281
Intangible assets	2,676,480	-	-	2,676,480
Construction in progress	830,778	-	(249,900)	580,878
Total capital assets not being depreciated	14,798,539	300,000	(249,900)	14,848,639
Being depreciated:				
Land improvements	529,152	-	-	529,152
Buildings and building improvements	6,819,287	-	-	6,819,287
Vehicles	2,764,835	126,904	-	2,891,739
Equipment	515,582	-	-	515,582
Infrastructure	34,738,010	506,272	-	35,244,282
Total capital assets being depreciated	45,366,866	633,176	-	46,000,042
Total all capital assets	60,165,405	933,176	(249,900)	60,848,681
Less accumulated depreciation:				
Land improvements	(293,706)	(22,375)	-	(316,081)
Buildings and building improvements	(954,342)	(70,560)	-	(1,024,902)
Vehicles	(1,334,394)	(142,075)	-	(1,476,469)
Equipment	(303,437)	(45,768)	-	(349,205)
Infrastructure	(22,450,134)	(706,300)	-	(23,156,434)
Total accumulated depreciation	(25,336,013)	(987,078)	-	(26,323,091)
Net book value, capital assets being depreciated	20,030,853	(353,902)	-	19,676,951
Net book value, all governmental activities capital assets	\$ 34,829,392	\$ (53,902)	\$ (249,900)	\$ 34,525,590

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

General government	\$ 15,058
Public safety	115,936
Highways and streets	812,045
Sanitation	221
Culture and recreation	34,955
Conservation	8,863
Total depreciation expense	<u>\$ 987,078</u>

NOTE 8 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2018 is as follows:

Receivable Fund	Payable Fund	Amount
General	Permanent	\$ 36,302
	Nonmajor	19,636
		<u>\$ 55,938</u>

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

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Interfund Transfers - The interfund transfers for the year ended December 31, 2018 consisted of \$26,786 from the permanent funds to the general fund.

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

NOTE 9 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments at December 31, 2018 consist of the following:

General fund:	
Balance of the 2018-19 district assessment due to the Rye School District	\$ 5,925,295
Withholdings payable to the State of Maine	1,565
Total general fund	<u>5,926,860</u>
Agency fund:	
Balance of expendable trust funds due to the Rye School District	302,802
Balance of expendable trust funds due to the Rye Water District	456,469
Total agency fund	<u>759,271</u>
Total intergovernmental payables due	<u><u>\$ 6,686,131</u></u>

NOTE 10 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of at December 31, 2018 consist of amounts related to pensions totaling \$1,110,114 and amounts related to OPEB totaling \$118,342. For further discussion on these amounts, see Notes 12 and 13, respectively.

Deferred inflows of resources are as follows:

	Government- wide	General Fund	Nonmajor Governmental Funds
Tax overpayments to be applied to future billings	\$ 281,919	\$ 281,919	\$ -
Deferred property taxes not collected within 60 days of fiscal year-end	-	105,996	-
Grant revenue received in advance of eligible expenditures	2,615	-	2,615
Amounts related to pensions (see Note 12)	374,863	-	-
Amounts related to other postemployment benefits (see Note 13)	2,405	-	-
Total deferred inflows of resources	<u><u>\$ 661,802</u></u>	<u><u>\$ 387,915</u></u>	<u><u>\$ 2,615</u></u>

NOTE 11 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2018:

	Balance January 1, 2018 (as restated)	Additions	Reductions	Balance December 31, 2018	Due Within One Year
Bonds payable	\$ 1,360,000	\$ 489,000	\$ (305,000)	\$ 1,544,000	\$ 364,000
Premium	152,095	61,000	(24,626)	188,469	30,727
Total bonds payable	1,512,095	550,000	(329,626)	1,732,469	394,727
Compensated absences	536,363	30,157	(18,506)	548,014	-
Accrued landfill postclosure care costs	450,000	-	-	450,000	15,000
Pension related liability	6,716,823	247,919	-	6,964,742	-
Net other postemployment benefits	2,021,019	398,806	-	2,419,825	-
Total long-term liabilities	<u><u>\$ 11,236,300</u></u>	<u><u>\$ 1,226,882</u></u>	<u><u>\$ (348,132)</u></u>	<u><u>\$ 12,115,050</u></u>	<u><u>\$ 409,727</u></u>

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Long-term bonds are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2018	Current Portion
General obligation bonds payable:						
Land acquisition	\$ 973,055	2009	2019	2.990	\$ 95,000	\$ 95,000
Land acquisition	\$ 942,500	2010	2020	2.788	185,000	95,000
Land acquisition	\$ 1,122,000	2014	2025	2.035	775,000	115,000
Land acquisition	\$ 300,000	2018	2028	2.570	266,500	31,500
Red Mill Lane Culvert Replacement	\$ 250,000	2018	2028	2.570	222,500	27,500
					<u>1,544,000</u>	<u>364,000</u>
Bond premium					188,469	30,727
Total					<u>\$ 1,732,469</u>	<u>\$ 394,727</u>

The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2018, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2019	\$ 364,000	\$ 78,896	\$ 442,896
2020	255,000	57,285	312,285
2021	165,000	44,370	209,370
2022	160,000	35,955	195,955
2023	155,000	27,795	182,795
2024-2028	455,000	45,645	500,645
Totals	<u>\$ 1,554,000</u>	<u>\$ 289,946</u>	<u>\$ 1,843,946</u>

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

Accrued Landfill Postclosure Care Costs – The Town has two landfills, which ceased operating 1975 and 1986, respectively. Federal and State laws and regulations require that the Town perform certain maintenance and monitoring functions at the landfill sites after closure. Liabilities are being recognized based on the future postclosure care costs that will be incurred after the landfills no longer accept waste. The estimated total current cost of the landfill postclosure care (\$450,000) is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfills were acquired as of December 31, 2018. However, the actual costs of postclosure care may be higher or lower due to inflation, changes in technology, or changes in landfill laws and regulations.

Bonds/Notes Authorized and Unissued – Bonds and notes authorized and unissued as of December 31, 2018 were as follows:

Per District Meeting Vote of	Purpose	Unissued Amount
March 11, 2014	Acquisition of conservation easements	<u>\$ 1,400,000</u>

NOTE 12 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a

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contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

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

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

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

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

Contributions - The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. All employees are required to contribute 7% of earnable compensation. For fiscal year 2018, the Town contributed 25.33% for police, 27.79% for fire and 11.08% for other employees. The contribution requirement for the fiscal year 2018 was \$617,848, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2018 the Town reported a liability of \$6,964,742 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 that date. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2018, the Town's proportion was 0.14%, which was the same as its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Town recognized pension expense of \$148,233. At December 31, 2018 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	\$ 300,323	\$ 157,299
Changes in assumptions	481,995	-
Net difference between projected and actual investment earnings on pension plan investments	-	161,170
Differences between expected and actual experience	55,591	56,394
Contributions subsequent to the measurement date	272,205	-
Total	<u>\$ 1,110,114</u>	<u>\$ 374,863</u>

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The \$272,205 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date and will be recognized as a reduction of the net pension liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	
2019	\$ 281,780
2020	232,860
2021	(83,910)
2022	32,316
Totals	<u>\$ 463,046</u>

Actuarial Assumptions – The collective total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2017, using the following actuarial assumptions which, accordingly apply to 2018 measurements:

Inflation:	2.5%
Salary increases:	5.6% average, including inflation
Wage inflation	3.25%
Investment rate of return:	7.25% 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 last experience study.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return – The long-term expected rate of return on pension plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2018:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2018</u>
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute Return Fixed Income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.25%
Opportunistic	5.00%	2.15%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	<u>100.00%</u>	

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

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2018	\$ 9,266,646	\$ 6,964,742	\$ 5,035,676

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

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

13-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) administers a cost-sharing, multiple-employer other postemployment benefit plan medical subsidy healthcare plan (OPEB Plan). For additional system information, please refer to the 2018 Comprehensive Annual Financial Report, which can be found on the system's website at www.nhrs.org.

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

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

Maximum medical subsidy rates paid during fiscal year 2018 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For

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fiscal year 2018, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend, and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2018, the Town contributed 4.10% for police and fire, and 0.30% for other employees. The contribution requirement for the fiscal year 2018 was \$73,541, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At December 31, 2018, the Town reported a liability of \$756,787 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town's proportion of the net OPEB liability was based on a projection of the Town's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2018, the Town's proportion was 0.17% which was an increase of 0.07% from its proportion measured as of June 30, 2017.

For the year ended December 31, 2018, the Town recognized OPEB expense of \$303,767. At December 31, 2018, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 63,068	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	2,405
Differences between expected and actual experience	4,442	-
Contributions subsequent to the measurement date	34,662	-
Total	<u>\$ 102,172</u>	<u>\$ 2,405</u>

The \$34,662 reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date and will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	
2019	\$ 66,760
2020	(750)
2021	(750)
2022	(155)
Totals	<u>\$ 65,105</u>

Actuarial Assumptions – The total OPEB liability in this report is based on an actuarial valuation performed as of June 30, 2018 and a measurement date of June 30, 2017. The total OPEB liability was determined using the following actuarial assumptions applied to all periods included in the measurement, unless otherwise specified:

Price inflation:	2.5% per year
Wage inflation:	3.25% per year
Salary increases:	5.6% average, including inflation
Investment rate of return:	7.25% net of OPEB plan investment expense, including inflation
Health care trend rate:	Not applicable, given that the benefits are fixed stipends

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

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

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Long-term Rates of Return – The long-term expected rate of return on OPEB plan investment was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and long-term rates of return for 2018:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2018
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	4.50%	0.50%
Short Duration	2.50%	(0.25%)
Global Multi-Sector Fixed Income	11.00%	1.80%
Absolute Return Fixed Income	7.00%	1.14%
Total fixed income	25.00%	
Private equity	5.00%	6.25%
Private debt	5.00%	4.25%
Opportunistic	5.00%	2.15%
Total alternative investments	15.00%	
Real estate	10.00%	3.25%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2018 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statute RSA 100-A:16 and that plan member contributions will be made under RSA 100-A:16. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

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

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption	
		7.25%	1% Increase 8.25%
June 30, 2018	\$ 787,667	\$ 756,787	\$ 670,286

Sensitivity of the Town's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Assumption – GASB No. 75 requires the sensitivity of the OPEB liability to the healthcare cost trend assumption. Since the medical subsidy benefits are fixed stipends, there is no sensitivity to changes in the healthcare cost trend assumption.

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

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13-B Town of Rye Retiree Health Benefit Program

Plan Description – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

Benefits Provided – The Town provides postemployment healthcare benefits for certain eligible retirees. The Town provides medical benefits to its eligible retirees. The benefits are provided through the New Hampshire Inter-Local Trust.

Employees Covered by Benefit Terms – At January 1, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	19
Active employees	36
Total participants covered by OPEB plan	<u>55</u>

Total OPEB Liability – The Town's total OPEB liability of \$1,663,038 was measured as of January 1, 2018, and was determined by an actuarial valuation of January 1, 2017.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$1,663,038 in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	3.78%
Healthcare Cost Trend Rates:	
Current Year Trend	9.50%
Second Year Trend	9.00%
Decrement	0.50%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2027
Salary Increases:	2.00%

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20-year AA municipal bond rate as of January 1, 2017.

Mortality rates were based on the RP-2000 Combined Health Participant Table Projected 10 years using Projection Scale AA.

Changes in the Total OPEB Liability

	December 31,	
	2017	2018
OPEB liability beginning of year	\$ 1,463,321	\$ 1,561,572
Changes for the year:		
Service cost	84,954	86,653
Interest	54,314	58,075
Assumption changes and difference between actual and expected experience	11,842	7,142
Benefit payments	(52,859)	(50,404)
OPEB liability end of year	<u>\$ 1,561,572</u>	<u>\$ 1,663,038</u>

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Sensitivity of the Town's OPEB Liability to Changes in the Discount Rate – The January 1, 2018 actuarial valuation was prepared using a discount rate of 3.78%. If the discount rate were 1% lower than what was used, the OPEB liability would increase to \$1,833,230, or by 10.2%. If the discount rate were 1% higher than what was used, the OPEB liability would decrease to \$1,513,361, or by 9.0%.

	Discount Rate		
	1% Decrease	Baseline 3.78%	1% Increase
Total OPEB Liability	<u>\$ 1,833,230</u>	<u>\$ 1,663,038</u>	<u>\$ 1,513,361</u>

Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The January 1, 2018 actuarial valuation was prepared using an initial trend rate of 9.50%. If the trend rate were 1% lower than what was used, the OPEB liability would decrease to \$1,479,641, or by 11.0%. If the trend rate were 1% higher than what was used, the OPEB liability would increase to \$1,877,452, or by 12.9%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 9.50%	1% Increase
Total OPEB Liability	<u>\$ 1,479,641</u>	<u>\$ 1,663,038</u>	<u>\$ 1,877,452</u>

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2018, the Town recognized OPEB expense of \$147,542. At December 31, 2018, the Town reported deferred outflows of resources totaling \$16,170 resulting from differences between expected and actual experience. Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	
2019	\$ 2,814
2020	2,814
2021	2,814
2022	2,814
2023	2,814
Thereafter	2,100
Totals	<u>\$ 16,170</u>

NOTE 14 – ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2018 and are as follows:

General fund:	
General government	\$ 16,661
Public safety	4,180
Highways and streets	60,306
Sanitation	20,000
Culture and recreation	9,350
Conservation	38,406
Capital outlay	359,811
Total encumbrances	<u>\$ 508,714</u>

TOWN OF RYE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

NOTE 15 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the Statement of Net Position at December 31, 2018 include the following:

	Governmental Activities
Net investment in capital assets:	
Net book value, all capital assets	\$ 34,525,590
Less:	
General obligation bonds payable	(1,544,000)
Unamortized bond premiums	(188,469)
Total net investment in capital assets	<u>32,793,121</u>
Restricted net position:	
Library	438,276
Perpetual care - nonexpendable	3,742,414
Perpetual care - expendable	27,853
Total restricted net position	<u>4,208,543</u>
Unrestricted	<u>(2,828,955)</u>
Total net position	<u><u>\$ 34,172,709</u></u>

NOTE 16 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2018 include the following:

	General Fund	Permanent Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:				
Inventory	\$ 5,774	\$ -	\$ -	\$ 5,774
Permanent fund - principal balance	-	3,742,414	-	3,742,414
Total nonspendable fund balance	<u>5,774</u>	<u>3,742,414</u>	<u>-</u>	<u>3,748,188</u>
Restricted:				
Library	438,276	-	-	438,276
Asset forfeiture	10,889	-	-	10,889
Youth athletics	93,436	-	-	93,436
Permanent - income balance	-	27,853	-	27,853
Heritage fund	-	-	27,035	27,035
Total restricted fund balance	<u>542,601</u>	<u>27,853</u>	<u>27,035</u>	<u>597,489</u>
Committed:				
Expendable trust	1,242,774	-	-	1,242,774
Sewer	-	-	1,162,652	1,162,652
Police outside detail	-	-	28,162	28,162
Beach parking permits	-	-	59,043	59,043
Recreation revolving	-	-	407,227	407,227
Ambulance	-	-	218,090	218,090
Parsonage	-	-	36,275	36,275
Conservation commission	-	-	220,999	220,999
Total committed fund balance	<u>1,242,774</u>	<u>-</u>	<u>2,132,448</u>	<u>3,375,222</u>

(Continued)

TOWN OF RYE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

Governmental fund balances continued:

	General Fund	Permanent Fund	Nonmajor Funds	Total Governmental Funds
Assigned:				
Encumbrances	508,714	-	-	508,714
Unassigned:				
General fund	2,635,522	-	-	2,635,522
Deficit - beach cleaning fund	-	-	(13,098)	(13,098)
Total assigned fund balance	2,635,522	-	(13,098)	2,622,424
Total governmental fund balances	<u>\$ 4,935,385</u>	<u>\$ 3,770,267</u>	<u>\$ 2,146,385</u>	<u>\$ 10,852,037</u>

NOTE 17 – PRIOR PERIOD ADJUSTMENTS

Net position/fund balance at January 1, 2018 was restated to give retroactive effect to the following prior period adjustments:

	Government-wide Statements	General Fund		Permanent
		GAAP Basis	Budgetary Basis	
To restate for the cumulative changes related to implementation of GASB No. 75, see Note 2-D	\$ (1,879,997)	\$ -	\$ -	\$ -
To eliminate incorrectly recorded interfund balance	-	(54,205)	(54,205)	54,205
Net position/fund balance, as previously reported	36,233,753	4,009,971	2,280,019	4,054,087
Net position/fund balance, as restated	<u>\$ 34,353,756</u>	<u>\$ 3,955,766</u>	<u>\$ 2,225,814</u>	<u>\$ 4,108,292</u>

NOTE 18 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2018, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2018 to December 31, 2018 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

NOTE 19 – CONTINGENT LIABILITIES

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

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

TOWN OF RYE, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

NOTE 20 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through January 31, 2020, the date the December 31, 2018 financial statements were available to be issued, and has identified the following subsequent event:

At the March 12, 2019 Annual Town Meeting, the Town voted to authorize a long-term lease/purchase totaling \$992,000, payable over five years, for a new pumper/ladder truck for the Fire Department.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF RYE, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2018

	December 31,					
	2013	2014	2015	2016	2017	2018
Town's proportion of the net pension liability	0.15%	0.14%	0.14%	0.14%	0.14%	0.14%
Town's proportionate share of the net pension liability	\$ 6,389,435	\$ 5,326,831	\$ 5,662,143	\$ 7,370,906	\$ 6,716,823	\$ 6,964,742
Town's covered payroll	\$ 2,776,740	\$ 2,715,272	\$ 2,867,729	\$ 2,864,173	\$ 2,839,392	\$ 3,162,560
Town's proportionate share of the net pension liability as a percentage of its covered payroll	230.11%	196.18%	197.44%	257.35%	236.56%	220.22%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

EXHIBIT G
TOWN OF RYE, NEW HAMPSHIRE
Schedule of Town Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2018

	December 31,					
	2013	2014	2015	2016	2017	2018
Contractually required contribution	\$ 369,153	\$ 460,399	\$ 479,508	\$ 496,346	\$ 500,339	\$ 611,335
Contributions in relation to the contractually required contributions	(369,153)	(460,399)	(479,508)	(496,346)	(500,339)	(611,335)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 2,776,740	\$ 2,715,272	\$ 2,867,729	\$ 2,864,173	\$ 2,839,392	\$ 3,162,560
Contributions as a percentage of covered payroll	13.29%	16.96%	16.72%	17.33%	17.62%	19.33%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

TOWN OF RYE, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

***Schedule of the Town's Proportionate Share of Net Pension Liability and
Schedule of Town Contributions - Pensions***

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the Town's pension plan at December 31, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2018:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.62% per year
Investment Rate of Return	7.25% per year, net of investment expenses, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP -2015, based in the last experience study.

Other Information:

Notes	Contribution rates for fiscal year 2018 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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EXHIBIT H
TOWN OF RYE, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefit Plan Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2018

	December 31,		
	2016	2017	2018
Town's proportion of the net OPEB liability	0.10%	0.10%	0.17%
Town's proportionate share of the net OPEB liability (asset)	\$ 486,887	\$ 459,447	\$ 756,787
Town's covered payroll	\$ 2,864,173	\$ 2,839,392	\$ 3,162,560
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	17.00%	16.18%	23.93%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT I
TOWN OF RYE, NEW HAMPSHIRE
Schedule of Town Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2018

	December 31,		
	2016	2017	2018
Contractually required contribution	\$ 58,440	\$ 59,557	\$ 73,114
Contributions in relation to the contractually required contribution	(58,440)	(59,557)	(73,114)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
Town's covered payroll	\$ 2,864,173	\$ 2,839,392	\$ 3,162,560
Contributions as a percentage of covered payroll	2.04%	2.10%	2.31%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT J
TOWN OF RYE, NEW HAMPSHIRE
Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios
Retiree Health Benefit Program
For the Fiscal Year Ended December 31, 2018

	December 31,	
	2017	2018
OPEB liability, beginning of year	\$ 1,463,321	\$ 1,561,572
Changes for the year:		
Service cost	84,954	86,653
Interest	54,314	58,075
Assumption changes and difference between actual and expected experience	11,842	7,142
Benefit payments	(52,859)	(50,404)
OPEB liability, end of year	\$ 1,561,572	\$ 1,663,038
Covered payroll	\$ 2,220,996	\$ 2,265,416
Total OPEB liability as a percentage of covered payroll	70.31%	73.41%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

TOWN OF RYE, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

***Schedule of the Town's Proportionate Share of Net Other Postemployment Benefit Plan Liability and
Schedule of Town Contributions – Other Postemployment Benefits***

As required by GASB Statement No. 75, Exhibits H and I represent the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2018. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

There were no changes to benefit terms or assumptions in the current actuarial valuation report.

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 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% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions.
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

Schedule of Changes in Town's Total Other Postemployment Benefits Liability and Related Ratios

As required by GASB Statement No. 75, Exhibit J represents the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2018. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Assumptions and Methodology

Economic Assumptions:

Discount Rate	An interest rate of 3.78% was used.
Payroll Growth	2.00% per year.

TOWN OF RYE, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

Trend

It was assumed that health care costs would increase in accordance with the trend rates in the following table:

Year	Pre 65 Medical
2018	9.50%
2019	9.00%
2020	8.50%
2021	8.00%
2022	7.50%
2023	7.00%
2024	6.50%
2025	6.00%
2026	5.50%
2027	5.00%

Demographic Assumptions

Census Collection Date

The census used in this report represents the eligible population as of January 1, 2017. The valuation date and the measurement date is January 1, 2017.

Mortality

RP-2000 Combined Healthy Participant Table Projected 10 Years using Projection Scale AA.

Missing Information

In cases where demographic information was missing or incomplete, default values reflecting average age/service were used.

Retirement Rates

The following are representative assumed retirement rates for eligible employees:

Age	Group I		Group II	
	Male	Female	Age	Rate
<=54	NA	NA	<=44	0.0000
55	0.0500	0.0500	45	0.2700
60	0.1250	0.1300	50	0.3000
65	0.2200	0.1867	55	0.3300
>=70	1.0000	1.0000	60	0.2700
			65	0.2834
			>=70	1.0000

Termination Rates

These rates represent the percentage of employees who will terminate employment at the given age each year, for reasons other than death, or retirement:

Age	Male	Female
35	0.05500	0.06000
40	0.04500	0.05000
45	0.04000	0.04000
50	0.03500	0.03500

Benefit Assumptions

Participation Rate

It was assumed that 100% of future retirees eligible for coverage will elect coverage under the Access Blue New England 10 plan retirement.

Percent Married

It was assumed that 75% of future retirees will be married, with male spouses assumed to be 3 years older than female spouses. For current retirees, actual census information was used.

TOWN OF RYE, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2018

Per Capita Costs

The following rates were used in the development of per capita costs:

Plan	01/01/2018 - 12/31/2018	
	Single	Two Person
Access Blue New England SOS	\$ 7,976.52	\$ 15,952.92

Implicit Subsidy

GASB No. 75 requires that employers recognize the expected claims of the retiree populations less the expected contributions by those retirees. This is not necessarily the same determination as the expected cash payments of the employer for retiree health benefits. The difference is that many post-employment health plans (including the School District's program) charge the same premium rates for all participants in a non-Medicare plan regardless of their age. This single premium rate is called a blended premium rate because it blends the expected claims of both active and retired participants. Retirees are generally older 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 costs. This subsidy is referred to as the "Implicit Rate Subsidy."

The following age-based factors were used to adjust for the implicit subsidy and are based on an average age of 48. The following example is for the Access Blue New England 10 Plan.

Age	Factor	Medical
20	54.44%	\$ 6,387.75
25	58.65%	\$ 6,881.42
30	64.12%	\$ 7,523.44
35	71.14%	\$ 8,347.29
40	80.10%	\$ 9,398.21
45	91.51%	\$ 10,737.36
48	100.00%	\$ 11,733.00
50	106.09%	\$ 12,447.54
55	124.79%	\$ 14,641.49
60	148.93%	\$ 17,473.66

Other Assumptions

Actuarial Value of Assets None.
Administrative Expenses Included in the premiums used.

Calculation of per Capita Costs

This is an example for a male assumed to be age 58 with a spouse assume to be age 55.

	2017- 2018	
	Individual	Two Person
1. Medical Premium for the Access Blue New England 10 Plan	\$ 10,313.28	\$ 10,313.28
2. Age adjustment factor	1.43752	1.29281
3. Age adjusted Medical (1* 2)	14,825.59	13,333.15
4. Contribution Percentage	100%	100%
5. Retiree Contribution (1 * 4)	10,313.28	10,313.28
Net Cost to Town (3 - 5)	\$ 4,512.31	\$ 3,019.87

SCHEDULE 1
TOWN OF RYE, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2018

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 6,447,261	\$ 6,306,133	\$ (141,128)
Land use change	-	73,255	73,255
Payment in lieu of taxes	24,849	52,454	27,605
Interest and penalties on taxes	51,500	56,968	5,468
Total from taxes	6,523,610	6,488,810	(34,800)
Licenses, permits, and fees:			
Business licenses, permits, and fees	500	975	475
Motor vehicle permit fees	1,534,100	1,619,072	84,972
Building permits	175,000	205,817	30,817
Other	44,815	45,808	993
Total from licenses, permits, and fees	1,754,415	1,871,672	117,257
Intergovernmental:			
State:			
Meals and rooms distribution	279,464	279,464	-
Highway block grant	138,590	138,512	(78)
Water pollution grants	-	5,000	5,000
Other	15,669	23,795	8,126
Federal:			
Other	6,375	6,464	89
Total from intergovernmental	440,098	453,235	13,137
Charges for services:			
Income from departments	244,075	300,161	56,086
Miscellaneous:			
Sale of municipal property	1,500	-	(1,500)
Interest on investments	25,000	52,017	27,017
Other	43,644	66,935	23,291
Total from miscellaneous	70,144	118,952	48,808
Other financing sources:			
Transfers in	45,000	-	(45,000)
Bond proceeds	280,000	250,000	(30,000)
Total other financing sources	325,000	250,000	(75,000)
Total revenues and other financing sources	\$ 9,357,342	\$ 9,482,830	\$ 125,488

SCHEDULE 2
TOWN OF RYE, NEW HAMPSHIRE
Major General Fund

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 229,170	\$ 223,953	\$ -	\$ 5,217
Election and registration	-	30,695	20,939	-	9,756
Financial administration	-	583,690	576,050	-	7,640
Legal	-	108,000	242,132	-	(134,132)
Planning and zoning	-	162,223	156,567	-	5,656
General government buildings	8,770	171,454	142,727	16,661	20,836
Cemeteries	-	115,006	1,448	-	113,558
Insurance, not otherwise allocated	-	165,027	162,027	-	3,000
Advertising and regional associations	-	56,371	56,371	-	-
Other	-	71,700	73,509	-	(1,809)
Total general government	8,770	1,693,336	1,655,723	16,661	29,722
Public safety:					
Police	-	1,410,332	1,286,857	-	123,475
Ambulance	-	125,865	112,097	1,880	11,888
Fire	16,740	1,427,544	1,457,874	2,300	(15,890)
Building inspection	-	253,080	222,823	-	30,257
Emergency management	-	11,500	15,266	-	(3,766)
Total public safety	16,740	3,228,321	3,094,917	4,180	145,964
Highways and streets:					
Highways and streets	15,305	1,222,277	1,144,027	60,306	33,249
Bridges	-	75,000	75,000	-	-
Street lighting	-	10,000	6,379	-	3,621
Total highways and streets	15,305	1,307,277	1,225,406	60,306	36,870
Sanitation:					
Solid waste collection	26,280	230,248	270,463	15,000	(28,935)
Solid waste disposal	-	185,000	195,348	5,000	(15,348)
Total sanitation	26,280	415,248	465,811	20,000	(44,283)
Water distribution and treatment	-	30,000	-	-	30,000
Health:					
Administration	-	5,485	5,418	-	67
Pest control	-	101,809	100,724	-	1,085
Total health	-	107,294	106,142	-	1,152
Welfare:					
Administration and direct assistance	-	40,000	24,691	-	15,309
Culture and recreation:					
Parks and recreation	7,603	382,481	378,523	9,350	2,211
Library	-	655,289	656,200	-	(911)
Patriotic purposes	-	10,700	9,737	-	963
Other	-	5,100	3,432	-	1,668
Total culture and recreation	7,603	1,053,570	1,047,892	9,350	3,931
Conservation	28,500	90,600	67,441	38,406	13,253

(Continued)

SCHEDULE 2 (Continued)
TOWN OF RYE, NEW HAMPSHIRE

Major General Fund

Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)

For the Fiscal Year Ended December 31, 2018

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal of long-term debt	-	305,000	305,000	-	-
Interest on long-term debt	-	62,496	62,196	-	300
Interest on tax anticipation notes	-	100	-	-	100
Other	-	100	-	-	100
Total debt service	-	367,696	367,196	-	500
Capital outlay	80,112	734,000	463,563	359,811	(9,262)
Other financing uses:					
Transfers out	-	290,000	290,000	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 183,310	\$ 9,357,342	\$ 8,808,782	\$ 508,714	\$ 223,156

SCHEDULE 3
TOWN OF RYE, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2018

Unassigned fund balance, beginning, as restated (see Note 17) (Non-GAAP Budgetary Basis)		\$ 2,225,814
2018 Budget summary:		
Revenue surplus (Schedule 1)	\$ 125,488	
Unexpended balance of appropriations (Schedule 2)	<u>223,156</u>	
2018 Budget surplus		348,644
Decrease in nonspendable fund balance		8,691
Increase in restricted fund balance		(10,131)
Decrease in assigned fund balance (non-encumbrance)		<u>150,000</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		2,723,018
Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(105,996)
Elimination of the allowance for uncollectible taxes		<u>18,500</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$ 2,635,522</u></u>

SCHEDULE 4
TOWN OF RYE, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2018

	Special Revenue Funds										
	Sewer	Grants	Police Outside Detail	Beach Parking Permits	Heritage Commission	Recreation Revolving	Beach Cleaning	Ambulance	Parsonage	Conservation Commission	Total
ASSETS											
Cash and cash equivalents	\$ 1,124,593	\$ 2,615	\$ 13,675	\$ 59,043	\$ 27,035	\$ 395,223	\$ -	\$ 218,090	\$ 35,340	\$ 220,999	\$ 2,096,613
Investments	51,040	-	-	-	-	-	-	-	-	-	51,040
Accounts receivable (net)	13,042	-	15,255	-	-	13,795	-	-	935	-	43,027
Total assets	\$ 1,188,675	\$ 2,615	\$ 28,930	\$ 59,043	\$ 27,035	\$ 409,018	\$ -	\$ 218,090	\$ 36,275	\$ 220,999	\$ 2,190,680
LIABILITIES											
Accounts payable	\$ 18,498	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,498
Accrued salaries and benefits	987	-	768	-	-	1,791	-	-	-	-	3,546
Interfund payable	6,538	-	-	-	-	-	13,098	-	-	-	19,636
Total liabilities	26,023	-	768	-	-	1,791	13,098	-	-	-	41,680
DEFERRED INFLOWS OF RESOURCES											
Unavailable revenue -	-	2,615	-	-	-	-	-	-	-	-	2,615
Grants received in advance	-	-	-	-	-	-	-	-	-	-	-
FUND BALANCES (DEFICIT)											
Restricted	-	-	-	-	27,035	-	-	-	-	-	27,035
Committed	1,162,652	-	28,162	59,043	-	407,227	-	218,090	36,275	220,999	2,132,448
Unassigned deficit	-	-	-	-	-	-	(13,098)	-	-	-	(13,098)
Total fund balances (deficit)	1,162,652	-	28,162	59,043	27,035	407,227	(13,098)	218,090	36,275	220,999	2,146,385
Total liabilities and fund balances	\$ 1,188,675	\$ 2,615	\$ 28,930	\$ 59,043	\$ 27,035	\$ 409,018	\$ -	\$ 218,090	\$ 36,275	\$ 220,999	\$ 2,190,680

SCHEDULE 5
TOWN OF RYE, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2018

	Special Revenue Funds										Total
	Sewer	Grants	Police Outside Detail	Beach Parking Permits	Heritage Commission	Recreation Revolving	Beach Cleaning	Ambulance	Parsonage	Conservation Commission	
REVENUES											
Intergovernmental	\$ -	\$ 59,443	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 59,443
Charges for services	266,255	-	110,784	31,377	7,564	198,741	34,088	-	-	-	648,809
Miscellaneous	4,322	752	-	2,520	7,774	-	-	50,169	12,018	3,521	81,076
Total revenues	270,577	60,195	110,784	33,897	15,338	198,741	34,088	50,169	12,018	3,521	789,328
EXPENDITURES											
Current:											
General government	-	752	-	-	-	-	-	-	-	800	1,552
Public safety	-	-	84,567	27,209	-	-	-	-	-	-	111,776
Sanitation	224,088	-	-	-	-	-	-	-	-	-	224,088
Culture and recreation	-	-	-	-	1,225	183,500	29,706	-	-	-	214,431
Conservation	-	-	-	-	-	-	-	-	-	300,880	300,880
Capital outlay	-	59,443	47,096	-	-	2,496	-	-	-	-	109,035
Total expenditures	224,088	60,195	131,663	27,209	1,225	185,996	29,706	-	-	301,680	961,762
Excess (deficiency) of revenues over (under) expenditures	46,489	-	(20,879)	6,688	14,113	12,745	4,382	50,169	12,018	(298,159)	(172,434)
OTHER FINANCING SOURCES											
Debt proceeds	-	-	-	-	-	-	-	-	-	300,000	300,000
Net change in fund balances	46,489	-	(20,879)	6,688	14,113	12,745	4,382	50,169	12,018	1,841	127,566
Fund balances, beginning	1,116,163	-	49,041	52,355	12,922	394,482	(17,480)	167,921	24,257	219,158	2,018,819
Fund balances, ending	\$ 1,162,652	\$ -	\$ 28,162	\$ 59,043	\$ 27,035	\$ 407,227	\$ (13,098)	\$ 218,090	\$ 36,275	\$ 220,999	\$ 2,146,385

COMBINING AND INDIVIDUAL FUND SCHEDULES