

# TOWN OF MADISON, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED  
DECEMBER 31, 2018

**TOWN OF MADISON, NEW HAMPSHIRE  
FINANCIAL REPORT  
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DECEMBER 31, 2018**

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# Roberts & Greene, PLLC

## INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen  
Town of Madison  
Madison, New Hampshire 03849

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

### ***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, which 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 of material misstatement.

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

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

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

As discussed in Note I.B.3. to the financial statements, management has not determined its liability or annual cost for postemployment benefits other than pensions (OPEB) in the governmental activities. Accounting principles generally accepted in the United States of America require that management recognize OPEB expense for the required contributions and a liability for unpaid contributions, which would increase the liabilities, decrease net position, and increase expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities is not reasonably determinable.

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***Adverse Opinion***

In our opinion, because of the effect of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the Town of Madison as of December 31, 2018, nor the changes in financial position thereof for the year then ended.

***Unmodified Opinions***

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Town of Madison, as of December 31, 2018, and the respective changes in financial position thereof and budget to actual comparison for the General Fund, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the pension related schedules on pages 27 and 28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting. 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Town of Madison has not presented a management's discussion and analysis, nor the OPEB related schedules. Accounting principles generally accepted in the United States of America have determined that these items are necessary to supplement, but are not required to be part of, the basic financial statements.

*Other Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Madison's basic financial statements as a whole. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They are the responsibility of management and were derived from, and relate directly to, the underlying accounting and other records used to prepare the basic financial statements. The 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

June 13, 2019

*Roberts + Greene, PLLC*

## **BASIC FINANCIAL STATEMENTS**

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

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 3,748,571
Investments	70,857
Other receivables, net of allowance for uncollectibles	624,413
Prepaid items	15,063
Tax deeded property held for resale	50,256
Capital assets, not being depreciated:	
Land	1,979,699
Capital assets, net of accumulated depreciation:	
Buildings and building improvements	1,084,544
Machinery, vehicles and equipment	954,192
Infrastructure	1,402,584
Total assets	9,930,179
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred amounts related to pensions	248,626
 <b>LIABILITIES</b>	
Accounts payable	55,342
Accrued payroll and benefits	47,957
Accrued interest payable	1,121
Intergovernmental payable	2,902,271
Performance and escrow deposits	1,000
Noncurrent obligations:	
Due within one year:	
Capital lease payable	48,319
Accrued landfill postclosure care costs	3,500
Due in more than one year:	
Compensated absences payable	36,267
Accrued landfill postclosure care costs	31,500
Net pension liability	1,313,188
Total liabilities	4,440,465
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Unearned revenue	24,563
Deferred amounts related to pensions	122,822
Total deferred inflows of resources	147,385
 <b>NET POSITION</b>	
Net investment in capital assets	5,372,700
Restricted for:	
Perpetual care:	
Nonexpendable	31,202
Expendable	1,073
Other purposes	33,087
Unrestricted	152,893
Total net position	\$ 5,590,955

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

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

	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	
Governmental activities:				
General government	\$ 1,070,785	\$ 4,093	\$ 376	\$ (1,066,316)
Public safety	665,333	4,463	9,879	(650,991)
Highways and streets	639,485	-	103,637	(535,848)
Sanitation	236,044	37,910	-	(198,134)
Health	9,634	-	-	(9,634)
Welfare	30,350	3,127	64	(27,159)
Culture and recreation	129,554	671	1,288	(127,595)
Conservation	10,316	-	196	(10,120)
Interest on long-term debt	2,500	-	-	(2,500)
Capital outlay	126,135	-	-	(126,135)
Total governmental activities	<u>\$ 2,920,136</u>	<u>\$ 50,264</u>	<u>\$ 115,440</u>	<u>(2,754,432)</u>
General revenues:				
Property taxes				2,027,142
Other taxes				127,647
Licenses and permits				582,294
Grants and contributions not restricted to specific programs				133,526
Miscellaneous				38,394
Total general revenues				<u>2,909,003</u>
Change in net position				154,571
Net position, beginning, as restated, see Note III.D.				<u>5,436,384</u>
Net position, ending				<u>\$ 5,590,955</u>

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

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

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 3,181,507	\$ 567,064	\$ 3,748,571
Investments	-	70,857	70,857
Taxes receivable, net of allowance for uncollectible	624,413	-	624,413
Interfund receivable	-	5,409	5,409
Prepaid items	15,063	-	15,063
Tax deeded property held for resale	50,256	-	50,256
Total assets	<u>\$ 3,871,239</u>	<u>\$ 643,330</u>	<u>\$ 4,514,569</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 55,342	\$ -	\$ 55,342
Accrued salaries and benefits	47,957	-	47,957
Intergovernmental payable	2,902,271	-	2,902,271
Interfund payable	5,377	32	5,409
Escrow and performance deposits	1,000	-	1,000
Total liabilities	<u>3,011,947</u>	<u>32</u>	<u>3,011,979</u>
Deferred inflows of resources:			
Deferred revenue	<u>376,021</u>	<u>-</u>	<u>376,021</u>
Fund balances:			
Nonspendable	65,319	33,701	99,020
Restricted	-	31,661	31,661
Committed	-	577,936	577,936
Assigned	35,342	-	35,342
Unassigned	382,610	-	382,610
Total fund balances	<u>483,271</u>	<u>643,298</u>	<u>1,126,569</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 3,871,239</u>	<u>\$ 643,330</u>	<u>\$ 4,514,569</u>

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

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

Total fund balances of governmental funds (Exhibit 3)		\$ 1,126,569
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$ 7,152,742	
Less accumulated depreciation	<u>(1,731,723)</u>	5,421,019
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$ (5,409)	
Payables	<u>5,409</u>	-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Unavailable tax revenue		351,458
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(1,121)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Capital lease outstanding	\$ 48,319	
Compensated absences payable	36,267	
Accrued landfill postclosure care costs	35,000	
Net pension liability	<u>1,313,188</u>	(1,432,774)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$ 248,626	
Deferred inflows of resources related to pensions	<u>(122,822)</u>	125,804
Total net position of governmental activities (Exhibit 1)		<u><u>\$ 5,590,955</u></u>

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

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

	General	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>			
Taxes	\$ 2,058,954	\$ 10,724	\$ 2,069,678
Licenses, permits and fees	582,074	220	582,294
Intergovernmental	247,042	-	247,042
Charges for services	48,753	2,102	50,855
Miscellaneous	22,307	17,420	39,727
Total revenues	<u>2,959,130</u>	<u>30,466</u>	<u>2,989,596</u>
<b>Expenditures:</b>			
<b>Current:</b>			
General government	997,356	19,435	1,016,791
Public safety	603,948	-	603,948
Highways and streets	549,643	-	549,643
Sanitation	231,502	-	231,502
Health	9,634	-	9,634
Welfare	27,450	2,900	30,350
Culture and recreation	110,020	16,706	126,726
Conservation	5,196	5,120	10,316
<b>Debt service:</b>			
Principal	42,609	-	42,609
Interest	49,811	-	49,811
Capital outlay	152,374	660	153,034
Total expenditures	<u>2,779,543</u>	<u>44,821</u>	<u>2,824,364</u>
Excess (deficiency) of revenues over (under) expenditures	<u>179,587</u>	<u>(14,355)</u>	<u>165,232</u>
<b>Other financing sources (uses):</b>			
Transfers in	-	58,053	58,053
Transfers out	(56,353)	(1,700)	(58,053)
Total other financing sources and uses	<u>(56,353)</u>	<u>56,353</u>	<u>-</u>
Net change in fund balances	123,234	41,998	165,232
Fund balances, beginning, as restated, see Note III.D.	360,037	601,300	961,337
Fund balances, ending	<u>\$ 483,271</u>	<u>\$ 643,298</u>	<u>\$ 1,126,569</u>

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

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

Net change in fund balances of governmental funds (Exhibit 5)		\$ 165,232
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	\$ 26,899	
Depreciation expense	<u>(151,718)</u>	(124,819)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (58,053)	
Transfers out	<u>58,053</u>	-
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.		
Change in unavailable tax revenue		85,111
The repayment of the principal of long-term leases consumes the current financial resources of governmental funds, but has no effect on net position.		
Repayment of capital lease principal		88,307
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 1,613	
Increase in compensated absences payable	(2,907)	
Decrease in accrued landfill postclosure care costs	<u>7,000</u>	5,706
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense.		
Town pension contributions	\$ 127,195	
Cost of benefits earned, net of employee contributions	<u>(192,161)</u>	(64,966)
Change in net position of governmental activities (Exhibit 2)		<u><u>\$ 154,571</u></u>

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

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

	Original and Final Budget	Actual	Variance Positive (Negative)
<b>REVENUES</b>			
Taxes	\$ 2,092,589	\$ 2,144,065	\$ 51,476
Licenses, permits and fees	513,050	582,074	69,024
Intergovernmental	236,972	247,042	10,070
Charges for services	35,300	48,753	13,453
Miscellaneous	10,321	22,307	11,986
Total revenues	<u>2,888,232</u>	<u>3,044,241</u>	<u>156,009</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,092,976	981,059	111,917
Public safety	623,745	606,119	17,626
Highways and streets	523,707	539,918	(16,211)
Sanitation	236,877	231,502	5,375
Health	10,966	9,634	1,332
Welfare	32,512	27,450	5,062
Culture and recreation	117,327	109,525	7,802
Conservation	4,600	5,196	(596)
Debt service:			
Principal	42,609	42,609	-
Interest on long-term debt	49,812	49,811	1
Interest on tax anticipation note	1	-	1
Capital outlay	153,100	152,374	726
Total expenditures	<u>2,888,232</u>	<u>2,755,197</u>	<u>133,035</u>
Excess of revenues over expenditures	-	289,044	289,044
Other financing uses:			
Transfers out	<u>(56,353)</u>	<u>(56,353)</u>	<u>-</u>
Net change in fund balance	<u>\$ (56,353)</u>	232,691	<u>\$ 289,044</u>
Decrease in nonspendable fund balance		16,290	
Unassigned fund balance, beginning, as restated		<u>485,087</u>	
Unassigned fund balance, ending		<u>\$ 734,068</u>	

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

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

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ 10,867	\$ 266,819
Liabilities:		
Due to other governments	-	266,819
Net position:		
Held in trust for specific purposes	<u>\$ 10,867</u>	<u>\$ -</u>

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

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

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	<u>Private Purpose Trust</u>
Additions:	
Investment earnings:	
Interest	127
Net position, beginning	<u>10,740</u>
Net position, ending	<u><u>\$ 10,867</u></u>

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

**NOTES TO THE BASIC FINANCIAL STATEMENTS**

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

**I. Summary of Significant Accounting Principles**

**I.A. Introduction**

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

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

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

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

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

*Government-Wide Financial Statements*

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

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

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

*Fund Financial Statements*

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

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

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, with the exception that the liability and expenses for postemployment benefits other than pensions have not been calculated or reported in the governmental activities.

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

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within sixty days of the end of the fiscal year. However, property taxes are not deferred on the budgetary basis, or when reporting to the State of New Hampshire in accordance with directions of the New Hampshire Department of Revenue Administration.

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

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

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

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

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

*Governmental Funds*

The Town reports the following major governmental fund:

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

The Town also reports nine nonmajor governmental funds.

*Fiduciary Funds*

The Town reports the following fiduciary funds:

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

*Agency Funds* – Account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. The Town’s agency funds are used to account for the various capital reserve accounts held by the trustees of trust funds on behalf of the local school and village districts.

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

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

The laws of the State of New Hampshire require that the Town’s treasurer have custody of all monies belonging to the Town, other than those held by the trustees of trust funds and library trustees, and pay out the same only upon orders of the Board of Selectmen. The treasurer shall deposit all monies in participation units in the public deposit investment pool established pursuant to N.H. RSA 383.22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge or deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations, or obligations of the State of New Hampshire in value at least equal to the amount of the deposit in each case.

Investments are stated at fair value based on quoted market prices. New Hampshire law authorizes the Town to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime bankers’ acceptances; or certificates of deposit and repurchase agreements of banks incorporated under the laws of the State of New Hampshire or in banks recognized by the state treasurer.

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

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

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

Generally, the Town’s property, plant and equipment with useful lives of more than one year are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at acquisition value on the date donated. The Town normally capitalizes assets with a cost of \$10,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized.

Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations. Estimated useful lives, in years, for depreciable assets are as follow:

	Years
Buildings and building improvements	10-150
Machinery, vehicles and equipment	5-35
Infrastructure	30-50

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

In the government-wide financial statements, outstanding debt is reported as liabilities. The balance of long-term debt is not reported in the governmental funds. Included in long-term liabilities are capital leases; compensated absences representing amounts for vacation and compensatory time that have been earned by employees and are carried over to be used in the future; an accrual for landfill postclosure care costs expected to be incurred in the future; and the net pension liability.

**I.C.4. Equity**

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

- Net investment in capital assets, which is computed as the total capital assets less accumulated depreciation, reduced by outstanding debt used to acquire those assets.
- Restricted for perpetual care, which represents the balance of permanent funds for which income earned must be used for cemetery care. This amount is segregated between

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nonexpendable representing principal that must be retained, and expendable representing investment income that can be used.

- Restricted for other purposes, which represents other permanent funds and the library fund whose use is restricted by State law.
- Unrestricted, which consists of the remaining balance of net position.

The governmental fund financial statements report the following components of fund balance:

- Nonspendable, which represents the balance of tax deeded property and prepaid expenditures in the General Fund; and the principal portion of the Permanent Fund.
- Restricted, which represents the expendable income in the Permanent Fund; and the Library Fund, whose use is limited by law.
- Committed, which consists of the balances of the other Special Revenue and Capital Projects Funds.
- Assigned, which consists of appropriations encumbered by the Board of Selectmen for future obligations.
- Unassigned, which represents the remaining fund balance of the General Fund.

**I.C.5. *Use of Estimates***

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect certain amounts reported in the financial statements and notes. Accordingly, actual results could differ from those estimates.

**II. Stewardship, Compliance and Accountability**

**II.A. Budgetary Information**

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the General Fund. Unless encumbered, all appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2018, \$50,000 of the General Fund unassigned fund balance from 2017 was so used, and \$6,353 was appropriated from surplus.

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

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

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

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 3,044,241
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	266,347
Tax revenue deferred in the current year	(351,458)
Per Exhibit 5 (GAAP basis)	<u>\$ 2,959,130</u>
Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 2,811,550
Adjustments:	
Basis difference:	
Encumbrances, beginning	59,688
Encumbrances, ending	(35,342)
Per Exhibit 5 (GAAP basis)	<u>\$ 2,835,896</u>
Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 734,068
Adjustment:	
Basis difference:	
Deferred tax revenue, GAAP basis	(351,458)
Per Exhibit 3 (GAAP basis)	<u>\$ 382,610</u>

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

**III.A. Assets**

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

*Property Taxes Receivable and Property Tax Calendar*

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year's billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien is executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of liened taxes. Properties not redeemed within two years of the date of the tax lien are deeded to the Town. During the current year, the tax collector executed a lien for uncollected 2017 property taxes on April 9.

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

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

For the New Hampshire education tax	\$469,495,667
For all other taxes	\$481,690,867

*This note continues on the following page.*

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

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$4.38	\$ 2,113,103
School portion:		
State of New Hampshire	\$2.33	1,092,106
Local	\$10.96	5,277,700
County portion	\$1.26	607,084
Precinct portion:		
Village District of Eidelweiss	\$6.05	570,377
Total property taxes assessed		\$ 9,660,370

The following details the taxes receivable at year-end:

Property:	
Levy of 2018	\$478,771
Unredeemed (under tax lien):	
Levy of 2017	103,827
Levy of 2016	58,863
Timber	7,952
Less: allowance for estimated uncollectible taxes	(25,000)
Net taxes receivable	\$624,413

*Deferred Revenue*

Deferred revenue of \$376,021 at December 31, 2018 consists of \$351,458 of taxes that were not collected within sixty days of year-end, and \$24,563 of prepaid taxes to be applied to the next year's levy. In the Governmental Activities, only the prepaid amounts are reported as unearned revenue.

*The notes continue on the following page.*

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

*Changes in Capital Assets*

The following provides a summary of changes in capital assets:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance, ending</u>
Governmental activities:				
At cost:				
Not being depreciated:				
Land	\$ 1,979,699	\$ -	\$ -	\$ 1,979,699
Being depreciated:				
Buildings and building improvements	1,447,956	26,899	-	1,474,855
Machinery, vehicles and equipment	2,276,839	-	(195,473)	2,081,366
Infrastructure	1,616,822	-	-	1,616,822
Total capital assets being depreciated	<u>5,341,617</u>	<u>26,899</u>	<u>(195,473)</u>	<u>5,173,043</u>
Total all capital assets	<u>7,321,316</u>	<u>26,899</u>	<u>(195,473)</u>	<u>7,152,742</u>
Less accumulated depreciation:				
Buildings and building improvements	(366,565)	(23,746)	-	(390,311)
Machinery, vehicles and equipment	(1,203,495)	(80,879)	157,200	(1,127,174)
Infrastructure	(167,145)	(47,093)	-	(214,238)
Total accumulated depreciation	<u>(1,737,205)</u>	<u>(151,718)</u>	<u>157,200</u>	<u>(1,731,723)</u>
Net book value, capital assets being depreciated	<u>3,604,412</u>	<u>(124,819)</u>	<u>(38,273)</u>	<u>3,441,320</u>
Net book value, all capital assets	<u>\$ 5,584,111</u>	<u>\$ (124,819)</u>	<u>\$ (38,273)</u>	<u>\$ 5,421,019</u>

*Depreciation Expense*

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

General government	\$ 15,025
Public safety	36,612
Highways and streets	87,645
Sanitation	9,608
Culture and recreation	2,828
Total depreciation expense	<u>\$ 151,718</u>

**III.A.3. Restricted Net Position**

The government-wide statement of net position includes restricted net position of \$36,492 for public trust funds reported as restricted for perpetual care or other purposes. These designations reflect purpose restrictions contained in trust indentures.

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**III.B. Liabilities**

**III.B.1. Intergovernmental Payables**

The amount due to other governments at December 31, 2018 consists of the balance of the 2018 – 2019 district assessment due to the Madison School District in the amount of \$2,899,806 and fees due to the State of New Hampshire in the amount of \$2,465.

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

Long-term liabilities currently outstanding are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2018	Current Portion
Capital lease payable:						
SCBA air packs	\$145,000	2017	2019	3.09	\$ 48,319	\$ 48,319
Compensated absences payable:						
Accrued vacation leave					36,267	-
Accrued landfill postclosure care costs					35,000	3,500
Net pension liability					1,313,188	-
					<u>\$ 1,432,774</u>	<u>\$ 51,819</u>

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

	Capital Leases Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	Net Pension Liability	Total
Balance, beginning	\$ 136,626	\$ 33,360	\$ 42,000	\$ 1,315,673	\$ 1,527,659
Additions	-	2,907	-	-	2,907
Reductions	(88,307)	-	(7,000)	(2,485)	(97,792)
Balance, ending	<u>\$ 48,319</u>	<u>\$ 36,267</u>	<u>\$ 35,000</u>	<u>\$ 1,313,188</u>	<u>\$ 1,432,774</u>

*Debt Service Requirements to Maturity*

The final payment on the capital lease is due in 2019, and consists of \$48,319 principal and \$1,493 interest for a total of \$49,812.

*Accrued Landfill Postclosure Care Costs*

State and federal laws and regulations require that the Town continue to perform certain maintenance and monitoring functions at the landfill site. The estimated total cost of postclosure care is \$35,000.

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The actual cost may be different due to inflation, changes in technology, or changes in laws or regulations. The Town plans to pay for postclosure care costs by annual appropriation.

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

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

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

The interfund balances consist of \$5,377 due to the Conservation Commission Fund from the General Fund representing land use change taxes collected, and \$32 due to the Library from the Permanent Fund representing investment earnings.

**III.C.2. *Transfers – Payments Within the Reporting Entity***

Transfers within the reporting entity were substantially for the purposes of funding capital reserve and expendable trust funds (\$56,353); transferring interest (\$18) earned in the Permanent Fund to the Library Fund; and transferring monies back and forth to the Expendable Trust Fund from the Old Home Week Fund, representing donations collected (\$1,675) and expended (\$7). The government-wide statement of activities eliminates transfers within the activities columns.

**III.D. Equity**

**III.D.1. *Restatement of Beginning Equity***

Beginning equity was restated as follows:

	Governmental Activities	General Fund
To correct balance of tax deeded property	\$ (4,508)	\$ (4,508)
To correct balance of fees due to State	1,489	1,489
To remove capital asset under capitalization threshold	(9,829)	-
Net position/fund balance, as previously reported	5,449,232	363,056
Net position/fund balance, as restated	<u>\$ 5,436,384</u>	<u>\$ 360,037</u>

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**III.D.2. Components of Fund Balances**

The following reports components of fund balance, as described in Note I.C.4.:

	General Fund	Nonmajor Funds
Nonspendable:		
Prepaid items	\$ 15,063	\$ -
Tax deeded property	50,256	-
Endowments	-	33,701
Total nonspendable	65,319	33,701
Restricted:		
General government	-	1,073
Welfare	-	1,718
Culture and recreation	-	28,870
Total restricted	-	31,661
Committed:		
General government	-	2,249
Public safety	-	4,349
Culture and recreation	-	44,495
Conservation	-	244,036
Capital outlay	-	282,807
Total committed	-	577,936
Assigned:		
General government	203	-
Public safety	35,139	-
Total assigned	35,342	-
Unassigned	382,610	-
Total fund balance	\$ 483,271	\$ 643,298

**IV. Other Information**

**IV.A. Risk Management**

The Town's risk management activities are reported with governmental activities and recorded in the General Fund. During the year, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex) Property/Liability and Workers' Compensation programs. These programs are considered public entity risk pools, currently operating as common risk management and insurance programs for member governmental entities.

The Primex's Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSA 5-B and RSA 281-A. Primex provided statutory workers' compensation coverage, \$2,000,000 of coverage for each liability loss, and various amounts of coverage for property losses, as well as statutory coverage for unemployment compensation.

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Contributions paid for 2018 being recorded as an insurance expenditure/expense totaled \$64,373 for property/liability, and \$30,125 for workers' compensation. The member agreement permits Primex to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, Primex foresees no likelihood of any additional assessments for past years.

**IV.B. Retirement Pensions**

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

Both the members and the Town make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rates of contribution for police officers and other employees were 11.55% and 7.0% of gross earnings, respectively. During 2018, the rates of contribution from the Town for the pension and medical subsidy were 29.43% for police and 11.38% for other employees, which are actuarially determined to generate an amount, that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the Town during the years 2016, 2017 and 2018 were \$113,274, \$115,741 and \$127,194, respectively.

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

At December 31, 2018, the Town reported a liability of \$1,313,188 in governmental activities 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 municipalities and school districts, actuarially determined. As of June 30, 2018, the Town's proportion was 0.0273%, which was an increase of 0.0005% from its proportion measured as of June 30, 2017.

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For the year 2018, the Town recognized pension expense of \$192,161. At year-end, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between employer contributions and proportionate share of contributions	\$ 82,578	\$ 81,801
Net differences between projected and actual earnings on pension plan investments	-	30,388
Changes in assumptions	90,879	-
Differences between expected and actual experience	10,482	10,633
Town contributions subsequent to the measurement date	<u>64,687</u>	<u>-</u>
	<u>\$ 248,626</u>	<u>\$ 122,822</u>

The Town reported \$64,687 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year 2019.

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

<u>Year Ending December 31,</u>	
2019	\$ 70,093
2020	39,514
2021	(47,265)
2022	<u>(1,225)</u>
	<u>\$ 61,117</u>

*Actuarial Assumptions*

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

Inflation	2.5%
Salary increases	5.6% average, including inflation
Investment rate of return	7.25% per year

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of net pension liability	\$1,747,207	\$1,313,188	\$949,467

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

**IV.C. Potential Liabilities**

The Town has a few claims pending against it which arose in the normal course of affairs. At this time, management has no indication that any of these will result in any significant financial liability.

**REQUIRED SUPPLEMENTARY INFORMATION**

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

	2018	2017	2016	2015	2014
Town's proportion of net pension liability	0.0273%	0.0268%	0.0299%	0.0278%	0.0259%
Town's proportionate share of the net pension liability	\$1,313,188	\$1,315,673	\$1,588,273	\$1,100,351	\$970,409
Town's covered-employee payroll	\$738,215	\$695,679	\$695,737	\$680,864	\$646,599
Town's proportionate share of the net pension liability as a percentage of covered-employee payroll	177.89%	189.12%	228.29%	161.61%	150.08%
Plan fiduciary position as a percentage of the total pension liability	64.7%	62.7%	58.3%	65.5%	66.3%

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

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

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 127,195	\$ 115,741	\$ 113,274	\$ 109,126	\$ 102,923
Contribution in relation to the contractually required contribution	<u>(127,195)</u>	<u>(115,741)</u>	<u>(113,274)</u>	<u>(109,126)</u>	<u>(102,923)</u>
Contribution deficiency	<u>\$ -</u>				
Town's covered-employee payroll	\$738,215	\$695,679	\$695,737	\$680,864	\$646,599
Contributions as a percentage of covered-employee payroll	17.23%	16.64%	16.28%	16.03%	15.92%

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

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

The Schedule of the Town's Proportionate Share of the Net Pension Liability and the Schedule of the Town's Pension Contributions are meant to present related information for ten years. Because this is the fourth year that the Town has presented the pension schedules, only five years are reported. An additional year's information will be added each year until there are ten years shown.

## **COMBINING AND INDIVIDUAL FUND SCHEDULES**

**EXHIBIT 12**  
**TOWN OF MADISON, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Balance Sheet**  
**December 31, 2018**

	Special Revenue Funds							Capital Projects Fund	Permanent Fund	Total
	Madison Library	Old Home Week	Madison PEG TV	Forest Maintenance	Conservation Commission	Police Equipment	Recreation	Expendable Trust		
<b>ASSETS</b>										
Cash and cash equivalents	\$ 5,471	\$ 17,630	\$ 2,249	\$ -	\$ 191,169	\$ 4,349	\$ 26,865	\$ 282,807	\$ 36,524	\$ 567,064
Investments	23,367	-	-	47,490	-	-	-	-	-	70,857
Interfund receivable	32	-	-	-	5,377	-	-	-	-	5,409
Total assets	<u>\$ 28,870</u>	<u>\$ 17,630</u>	<u>\$ 2,249</u>	<u>\$ 47,490</u>	<u>\$ 196,546</u>	<u>\$ 4,349</u>	<u>\$ 26,865</u>	<u>\$ 282,807</u>	<u>\$ 36,524</u>	<u>\$ 643,330</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>										
Liabilities:										
Interfund payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 32	\$ 32
Fund balances:										
Nonspendable	-	-	-	-	-	-	-	-	33,701	33,701
Restricted	28,870	-	-	-	-	-	-	-	2,791	31,661
Committed	-	17,630	2,249	47,490	196,546	4,349	26,865	282,807	-	577,936
Total fund balances	<u>28,870</u>	<u>17,630</u>	<u>2,249</u>	<u>47,490</u>	<u>196,546</u>	<u>4,349</u>	<u>26,865</u>	<u>282,807</u>	<u>36,492</u>	<u>643,298</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 28,870</u>	<u>\$ 17,630</u>	<u>\$ 2,249</u>	<u>\$ 47,490</u>	<u>\$ 196,546</u>	<u>\$ 4,349</u>	<u>\$ 26,865</u>	<u>\$ 282,807</u>	<u>\$ 36,524</u>	<u>\$ 643,330</u>

**EXHIBIT 13**  
**TOWN OF MADISON, NEW HAMPSHIRE**  
**Nonmajor Governmental Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended December 31, 2018**

	Special Revenue Funds							Capital Projects Fund	Permanent Fund	Total
	Madison Library	Old Home Week	Madison PEG TV	Forest Maintenance	Conservation Commission	Police Equipment	Recreation	Expendable Trust		
<b>REVENUES</b>										
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 10,724	\$ -	\$ -	\$ -	\$ -	\$ 10,724
Licenses, permits and fees	-	-	-	-	-	220	-	-	-	220
Charges for services	1,262	-	-	-	-	840	-	-	-	2,102
Miscellaneous	1,218	11,776	25	177	19	415	3	3,329	458	17,420
Total revenues	<u>2,480</u>	<u>11,776</u>	<u>25</u>	<u>177</u>	<u>10,743</u>	<u>1,475</u>	<u>3</u>	<u>3,329</u>	<u>458</u>	<u>30,466</u>
<b>EXPENDITURES</b>										
Current:										
General government	-	-	-	-	-	-	-	19,435	-	19,435
Welfare	-	-	-	-	-	-	-	-	2,900	2,900
Culture and recreation	4,859	11,847	-	-	-	-	-	-	-	16,706
Conservation	-	-	-	4,784	336	-	-	-	-	5,120
Capital outlay	-	-	-	-	-	660	-	-	-	660
Total expenditures	<u>4,859</u>	<u>11,847</u>	<u>-</u>	<u>4,784</u>	<u>336</u>	<u>660</u>	<u>-</u>	<u>19,435</u>	<u>2,900</u>	<u>44,821</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,379)</u>	<u>(71)</u>	<u>25</u>	<u>(4,607)</u>	<u>10,407</u>	<u>815</u>	<u>3</u>	<u>(16,106)</u>	<u>(2,442)</u>	<u>(14,355)</u>
Other financing sources (uses):										
Transfers in	18	7	-	-	-	-	-	58,028	-	58,053
Transfers out	-	(1,675)	-	-	-	-	-	(7)	(18)	(1,700)
Total other financing sources and uses	<u>18</u>	<u>(1,668)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>58,021</u>	<u>(18)</u>	<u>56,353</u>
Net change in fund balances	(2,361)	(1,739)	25	(4,607)	10,407	815	3	41,915	(2,460)	41,998
Fund balances, beginning	31,231	19,369	2,224	52,097	186,139	3,534	26,862	240,892	38,952	601,300
Fund balances, ending	<u>\$ 28,870</u>	<u>\$ 17,630</u>	<u>\$ 2,249</u>	<u>\$ 47,490</u>	<u>\$ 196,546</u>	<u>\$ 4,349</u>	<u>\$ 26,865</u>	<u>\$ 282,807</u>	<u>\$ 36,492</u>	<u>\$ 643,298</u>

**EXHIBIT 14**  
**TOWN OF MADISON, NEW HAMPSHIRE**  
**General Fund**  
**Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2018**

	Estimated	Actual	Variance Positive (Negative)
<b>Taxes:</b>			
Property	\$ 2,000,249	\$ 2,027,142	\$ 26,893
Land use change	10,000	10,724	724
Timber	22,250	29,701	7,451
Excavation	4,400	4,429	29
Payments in lieu of taxes	15,590	15,590	-
Interest and penalties on delinquent taxes	40,100	56,479	16,379
<b>Total taxes</b>	<u>2,092,589</u>	<u>2,144,065</u>	<u>51,476</u>
<b>Licenses, permits and fees:</b>			
Motor vehicle permits	480,500	545,201	64,701
Building permits	28,500	32,309	3,809
Other	4,050	4,564	514
<b>Total licenses, permits and fees</b>	<u>513,050</u>	<u>582,074</u>	<u>69,024</u>
<b>Intergovernmental:</b>			
<b>State sources:</b>			
Meals and rooms distributions	133,276	133,276	-
Highway block grant	103,696	103,637	(59)
<b>Federal sources:</b>			
Police grants	-	9,879	9,879
Other	-	250	250
<b>Total intergovernmental</b>	<u>236,972</u>	<u>247,042</u>	<u>10,070</u>
<b>Charges for services:</b>			
Income from departments	35,300	48,753	13,453
<b>Miscellaneous:</b>			
Sale of property	-	5,533	5,533
Interest on investments	350	1,524	1,174
Other	9,971	15,250	5,279
<b>Total miscellaneous</b>	<u>10,321</u>	<u>22,307</u>	<u>11,986</u>
<b>Total revenues</b>	2,888,232	<u>\$ 3,044,241</u>	<u>\$ 156,009</u>
Fund balance used to reduce tax rate	50,000		
Fund balance appropriated	6,353		
<b>Total revenues and use of fund balance</b>	<u>\$ 2,944,585</u>		

**EXHIBIT 15**  
**TOWN OF MADISON, NEW HAMPSHIRE**  
**General Fund**

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

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
<b>Current:</b>					
<b>General government:</b>					
Executive	\$ -	\$ 120,504	\$ 118,965	\$ -	\$ 1,539
Election and registration	-	8,700	10,337	-	(1,637)
Financial administration	-	143,814	130,903	-	12,911
Revaluation of property	-	30,232	24,805	-	5,427
Legal	-	17,300	19,197	-	(1,897)
Personnel administration	-	517,992	436,867	-	81,125
Planning and zoning	-	22,210	22,545	-	(335)
General government buildings	16,500	125,590	139,239	203	2,648
Insurance, not otherwise allocated	-	106,634	94,498	-	12,136
Total general government	<u>16,500</u>	<u>1,092,976</u>	<u>997,356</u>	<u>203</u>	<u>111,917</u>
<b>Public safety:</b>					
Police	6,221	307,100	310,985	3,350	(1,014)
Ambulance	-	87,047	87,047	-	-
Fire	26,747	162,750	147,735	31,789	9,973
Building inspection	-	37,476	35,136	-	2,340
Emergency management	-	4,401	3,886	-	515
Other	-	24,971	19,159	-	5,812
Total public safety	<u>32,968</u>	<u>623,745</u>	<u>603,948</u>	<u>35,139</u>	<u>17,626</u>
<b>Highways and streets:</b>					
Highways and streets	1,760	519,807	537,762	-	(16,195)
Street lighting	-	3,900	3,916	-	(16)
Boulder and Colby Hill Roads	7,965	-	7,965	-	-
Total highways and streets	<u>9,725</u>	<u>523,707</u>	<u>549,643</u>	<u>-</u>	<u>(16,211)</u>
<b>Sanitation:</b>					
Solid waste disposal	-	236,877	231,502	-	5,375
<b>Health:</b>					
Animal control	-	1,875	543	-	1,332
Health agencies	-	9,091	9,091	-	-
Total health	<u>-</u>	<u>10,966</u>	<u>9,634</u>	<u>-</u>	<u>1,332</u>
<b>Welfare:</b>					
Administration	-	15,025	9,963	-	5,062
Direct assistance	-	5,000	5,000	-	-
Welfare agencies	-	12,487	12,487	-	-
Total welfare	<u>-</u>	<u>32,512</u>	<u>27,450</u>	<u>-</u>	<u>5,062</u>
<b>Culture and recreation:</b>					
Parks and recreation	495	38,730	36,016	-	3,209
Public library	-	77,572	73,570	-	4,002
Patriotic purposes	-	1,025	434	-	591
Total culture and recreation	<u>495</u>	<u>117,327</u>	<u>110,020</u>	<u>-</u>	<u>7,802</u>
Conservation	-	4,600	5,196	-	(596)

(continued)

**EXHIBIT 15 (continued)**  
**TOWN OF MADISON, NEW HAMPSHIRE**  
**General Fund**

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

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal	-	42,609	42,609	-	-
Interest on long-term debt	-	49,812	49,811	-	1
Interest on tax anticipation note	-	1	-	-	1
Total debt service	-	92,422	92,420	-	2
Capital outlay:					
Machinery, vehicles and equipment	-	35,000	35,000	-	-
Buildings	-	12,600	11,999	-	601
Improvements other than buildings	-	105,500	105,375	-	125
Total capital outlay	-	153,100	152,374	-	726
Other financing uses:					
Transfers out:					
Nonmajor funds	-	56,353	56,353	-	-
Total encumbrances, appropriations, expenditures and other financing uses	\$ 59,688	\$ 2,944,585	\$ 2,835,896	\$ 35,342	\$ 133,035

**EXHIBIT 16**  
**TOWN OF MADISON, NEW HAMPSHIRE**  
**General Fund**  
**Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)**  
**For the Year Ended December 31, 2018**

Unassigned fund balance, beginning, as restated		\$ 485,087
Changes:		
Unassigned fund balance used to reduce tax rate		(50,000)
Unassigned fund balance appropriated		(6,353)
Budget summary:		
Revenue surplus (Exhibit 14)	\$ 156,009	
Unexpended balance of appropriations (Exhibit 15)	<u>133,035</u>	
Budget surplus		289,044
Decrease in nonspendable fund balance		<u>16,290</u>
Unassigned fund balance, ending		<u><u>\$ 734,068</u></u>



## Roberts & Greene, PLLC

To the Members of the Board of Selectmen  
Town of Madison  
Madison, New Hampshire 03489

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

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

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

We do want to discuss the following matter:

*GASB Statement No. 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*

This statement took effect for the Town in 2018, and basically requires that the Town have a valuation of its liability for postemployment benefits other than pensions (OPEB), and include this liability along with related deferrals and expense in its governmental activities. The valuation must be done either by an actuary or by means of an approved alternative method, either of which would cause the Town to incur additional costs. The valuation cannot be performed by the auditor as that would result in a lack of independence. Because of the omission of these amounts from the financial statements of the governmental activities, we have issued an adverse opinion on those two statements. There are also additional schedules that should be presented as required supplementary information that are omitted. We recommend that the Town investigate what the additional costs of having a valuation prepared would be, and decide whether it is cost effective to obtain the valuation in order to remove the modification of the opinion on the statements of the governmental activities.

We wish to thank the Town officials and employees for all assistance rendered during the course of the audit.

June 13, 2019