



TOWN OF JAFFREY, NEW HAMPSHIRE

Annual Financial Statements
For the Year Ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Jaffrey, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Jaffrey, New Hampshire, as of December 31, 2019, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' 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 auditors' 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

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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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Jaffrey, New Hampshire, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general and sewer funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Nashua, New Hampshire
August 20, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Jaffrey, New Hampshire (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2019.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, sanitation, health and welfare, culture and recreation, conservation, and economic development. The business-type activities include water activities.

Fund Financial Statements

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

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

Proprietary Funds

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for the water operations, which is considered to be a major fund.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes To Financial Statements

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

Other Information

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

Financial Highlights

- As of the close of the current year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$24,474,183 (i.e., net position), a change of \$1,468,755 in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$7,396,912, a change of \$1,517,235 in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$1,335,428, a change of \$(178,485) in comparison to the prior year.

Government-Wide Financial Analysis

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

| | NET POSITION | | | | | |
|-----------------------------------|----------------------------|------------------|-----------------------------|-----------------|------------------|------------------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Current and other assets | \$ 11,715 | \$ 11,853 | \$ 4,024 | \$ 2,557 | \$ 15,739 | \$ 14,410 |
| Capital assets | <u>22,671</u> | <u>22,274</u> | <u>11,781</u> | <u>9,555</u> | <u>34,452</u> | <u>31,829</u> |
| Total assets | 34,386 | 34,127 | 15,805 | 12,112 | 50,191 | 46,239 |
| Deferred outflows of resources | 519 | 737 | 24 | 34 | 543 | 771 |
| Long-term liabilities outstanding | 14,813 | 14,612 | 2,428 | 2,709 | 17,241 | 17,321 |
| Other liabilities | <u>4,235</u> | <u>5,815</u> | <u>4,501</u> | <u>502</u> | <u>8,736</u> | <u>6,317</u> |
| Total liabilities | 19,048 | 20,427 | 6,929 | 3,211 | 25,977 | 23,638 |
| Deferred inflows of resources | 270 | 351 | 12 | 16 | 282 | 367 |
| Net investment in capital assets | 12,926 | 12,644 | 5,926 | 6,663 | 18,852 | 19,307 |
| Restricted | 3,684 | 3,232 | - | - | 3,684 | 3,232 |
| Unrestricted | <u>(1,023)</u> | <u>(1,790)</u> | <u>2,962</u> | <u>2,256</u> | <u>1,939</u> | <u>466</u> |
| Total net position | \$ <u>15,587</u> | \$ <u>14,086</u> | \$ <u>8,888</u> | \$ <u>8,919</u> | \$ <u>24,475</u> | \$ <u>23,005</u> |

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$24,474,183, a change of \$1,468,755 in comparison to the prior year.

The largest portion of net position \$18,851,387 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$3,683,699 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$1,939,097 may be used to meet the government's ongoing obligations to citizens and creditors.

| CHANGES IN NET POSITION | | | | | | |
|--|----------------------------|-----------|-----------------------------|----------|-----------|-----------|
| | Governmental Activities | | Business-Type Activities | | Total | |
| | 2019 | 2018 | 2019 | 2018 | 2019 | 2018 |
| Revenues: | | | | | | |
| Program revenues: | | | | | | |
| Charges for services | \$ 2,646 | \$ 2,856 | \$ 1,297 | \$ 1,303 | \$ 3,943 | \$ 4,159 |
| Operating grants and contributions | 320 | 495 | - | - | 320 | 495 |
| Capital grants and contributions | 632 | 186 | - | - | 632 | 186 |
| General revenues: | | | | | | |
| Property taxes | 5,256 | 4,516 | - | - | 5,256 | 4,516 |
| Excises | 19 | 19 | - | - | 19 | 19 |
| Penalties and interest on taxes | 114 | 139 | - | - | 114 | 139 |
| Grants and contributions not restricted to specific programs | 388 | 280 | - | 32 | 388 | 312 |
| Investment income (loss) | 722 | (6) | 6 | 8 | 728 | 2 |
| Other | 267 | 274 | 22 | 987 | 289 | 1,261 |
| Total revenues | 10,364 | 8,759 | 1,325 | 2,330 | 11,689 | 11,089 |
| Expenses: | | | | | | |
| General government | 2,026 | 1,791 | - | - | 2,026 | 1,791 |
| Public safety | 2,171 | 2,280 | - | - | 2,171 | 2,280 |
| Highways and streets | 1,602 | 1,767 | - | - | 1,602 | 1,767 |
| Sanitation | 2,592 | 1,678 | - | - | 2,592 | 1,678 |
| Health and welfare | 137 | 140 | - | - | 137 | 140 |
| Culture and recreation | 192 | 1,034 | - | - | 192 | 1,034 |
| Economic development | 30 | 32 | - | - | 30 | 32 |
| Interest | 320 | 426 | - | - | 320 | 426 |
| Water services | - | - | 1,149 | 1,142 | 1,149 | 1,142 |
| Total expenses | 9,070 | 9,148 | 1,149 | 1,142 | 10,219 | 10,290 |
| Change in net position before transfers | 1,294 | (389) | 176 | 1,188 | 1,470 | 799 |
| Transfers in (out) | 207 | (211) | (207) | 211 | - | - |
| Change in net position | 1,501 | (600) | (31) | 1,399 | 1,470 | 799 |
| Net position - beginning of year, as restated | 14,086 | 14,686 | 8,919 | 7,520 | 23,005 | 22,206 |
| Net position - end of year | \$ 15,587 | \$ 14,086 | \$ 8,888 | \$ 8,919 | \$ 24,475 | \$ 23,005 |

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$1,500,132. Key elements of this change are as follows:

| | |
|---|---------------------|
| General fund operations | \$ 631,869 |
| Major sewer fund operating results | (99,923) |
| Major capital project fund accrual basis | 419,885 |
| Major permanent fund operating results | 323,645 |
| Nonmajor funds accrual basis | 266,876 |
| Depreciation expense in excess of principal debt service | (683,305) |
| Change in net pension liability and related deferred outflows/inflows | (135,489) |
| Change in total OPEB liability and related deferred outflows/inflows | 12,024 |
| Change in long-term liabilities | 209,011 |
| Capital assets acquired with current year revenue | 637,846 |
| Other GAAP accruals | (82,307) |
| Total | <u>\$ 1,500,132</u> |

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$(31,377) for water operations.

Financial Analysis of Funds

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

Governmental Funds

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$7,396,912, a change of \$1,517,235 in comparison to the prior year. Key elements of this change are as follows:

| | |
|------------------------------------|---------------------|
| General fund operating results | \$ 631,869 |
| Major sewer fund operating results | (99,923) |
| Major capital project fund results | 394,768 |
| Major permanent trust fund results | 323,645 |
| Nonmajor fund results | 266,876 |
| Total | <u>\$ 1,517,235</u> |

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$1,335,428, while total fund balance was \$3,638,073. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

| <u>General Fund</u> | <u>12/31/19</u> | <u>12/31/18</u> | <u>Change</u> | % of Total General Fund Expenditures |
|-------------------------|-----------------|-----------------|---------------|--|
| Unassigned fund balance | \$ 1,335,428 | \$ 1,513,913 | \$ (178,485) | 19.6% |
| Total fund balance | \$ 3,638,073 | \$ 3,006,204 | \$ 631,869 | 53.3% |

The total fund balance of the general fund changed by \$631,869 during the current year. Key factors in this change are as follows:

| | |
|--|-------------------|
| Revenues in excess of budget | \$ 235,701 |
| Expenditures less than budget | 237,917 |
| Other financing sources/uses less than budget | (205,574) |
| Use of fund balance as a funding source | (435,000) |
| Expenditures of current year encumbrances exceeding current prior encumbrances | 221,729 |
| Tax collections in excess compared to net levy | (25,512) |
| Change in capital reserve | 636,670 |
| Other | <u>(34,062)</u> |
| Total | <u>\$ 631,869</u> |

Included in the total general fund balance are the Town's capital reserve account(s) with the following balance(s):

| | <u>12/31/19</u> | <u>12/31/18</u> | <u>Change</u> |
|-----------------|-----------------|-----------------|---------------|
| Capital reserve | \$ 1,757,416 | \$ 1,120,746 | \$ 636,670 |

General Fund Budgetary Highlights

There were no major differences between the original budget and the final amended budget.

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$34,452,115 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

- Water Main Phase II Construction in Progress – \$2,028,381
- Septage Facility Construction in Progress – \$1,025,117

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

Long-Term Debt

At the end of the current year, total bonded debt outstanding was \$11,960,066, all of which was backed by the full faith and credit of the government.

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

Requests for Information

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

Board of Selectmen
Town of Jaffrey
10 Goodnow Street
Jaffrey, New Hampshire 03452

TOWN OF JAFFREY, NEW HAMPSHIRE

Statement of Net Position
December 31, 2019

| | <u>Governmental Activities</u> | <u>Business-Type Activities</u> | <u>Total</u> |
|---|------------------------------------|-------------------------------------|----------------------|
| Assets | | | |
| Current: | | | |
| Cash and short-term investments | \$ 2,840,443 | \$ 1,915,188 | \$ 4,755,631 |
| Investments | 6,394,007 | - | 6,394,007 |
| Receivables, net of allowance for uncollectibles: | | | |
| Property taxes | 435,594 | - | 435,594 |
| User fees | 106,729 | 71,959 | 178,688 |
| Departmental and other | 46,745 | - | 46,745 |
| Intergovernmental | 159,709 | 1,795,691 | 1,955,400 |
| Interfund balances | 1,013,218 | (997,214) | 16,004 |
| Other assets | <u>263,961</u> | <u>7,629</u> | <u>271,590</u> |
| Total Current Assets | 11,260,406 | 2,793,253 | 14,053,659 |
| Noncurrent: | | | |
| Receivables, net of allowance for uncollectibles | | | |
| Property taxes | 299,377 | - | 299,377 |
| Intergovernmental | 154,965 | - | 154,965 |
| Capital Assets: | | | |
| Land and construction in progress | 3,059,426 | 5,418,182 | 8,477,608 |
| Other capital assets, net of accumulated depreciation | <u>19,611,565</u> | <u>6,362,942</u> | <u>25,974,507</u> |
| Total Noncurrent Assets | 23,125,333 | 11,781,124 | 34,906,457 |
| Total Assets | 34,385,739 | 14,574,377 | 48,960,116 |
| Deferred Outflows of Resources | | | |
| Related to pensions | 496,746 | 22,591 | 519,337 |
| Related to OPEB | <u>22,057</u> | <u>1,003</u> | <u>23,060</u> |
| Total Deferred Outflows of Resources | 518,803 | 23,594 | 542,397 |
| Liabilities | | | |
| Current: | | | |
| Accounts payable | 129,745 | - | 129,745 |
| Retainage payable | - | 184,084 | 184,084 |
| Due to other governments | 3,223,572 | - | 3,223,572 |
| Accrued expenses | 119,199 | 52,134 | 171,333 |
| Notes payable | 77,076 | 2,840,000 | 2,917,076 |
| Other current liabilities | 7,724 | 1,803 | 9,527 |
| Current portion of long-term liabilities: | | | |
| Bonds payable | 631,318 | 192,126 | 823,444 |
| Other | <u>44,985</u> | <u>-</u> | <u>44,985</u> |
| Total Current Liabilities | 4,233,619 | 3,270,147 | 7,503,766 |
| Noncurrent: | | | |
| Bonds payable, net of current portion | 8,963,859 | 2,172,763 | 11,136,622 |
| Net pension liability | 4,683,393 | 212,993 | 4,896,386 |
| Net OPEB liability | 927,756 | 42,193 | 969,949 |
| Other, net of current portion | <u>238,688</u> | <u>-</u> | <u>238,688</u> |
| Total Noncurrent Liabilities | 14,813,696 | 2,427,949 | 17,241,645 |
| Total Liabilities | 19,047,315 | 5,698,096 | 24,745,411 |
| Deferred Inflows of Resources | | | |
| Related to pensions | 269,367 | 12,250 | 281,617 |
| Related to OPEB | <u>1,245</u> | <u>57</u> | <u>1,302</u> |
| Total Deferred Inflows of Resources | 270,612 | 12,307 | 282,919 |
| Net Position | | | |
| Net investment in capital assets | 12,925,979 | 5,925,408 | 18,851,387 |
| Restricted for: | | | |
| Grants and other statutory restrictions | 1,533,745 | - | 1,533,745 |
| Permanent funds: | | | |
| Nonexpendable | 1,615,695 | - | 1,615,695 |
| Expendable | 534,259 | - | 534,259 |
| Unrestricted | <u>(1,023,063)</u> | <u>2,962,160</u> | <u>1,939,097</u> |
| Total Net Position | \$ <u>15,586,615</u> | \$ <u>8,887,568</u> | \$ <u>24,474,183</u> |

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

TOWN OF JAFFREY, NEW HAMPSHIRE

Statement of Activities
For the Year Ended December 31, 2019

| | | Program Revenues | | | Net (Expenses) Revenues and Changes in Net Position | | |
|---|----------------------|---------------------|-------------------|-------------------|--|---------------------|----------------------|
| | | Charges for | Operating | Capital | Governmental | Business- | |
| | | Services | Grants and | Grants and | Activities | Type | |
| | | | Contributions | Contributions | | Activities | Total |
| | | Expenses | | | | | |
| Governmental Activities | | | | | | | |
| General government | \$ 2,025,553 | \$ 1,210,092 | \$ 31,790 | \$ - | \$ (783,671) | \$ - | \$ (783,671) |
| Public safety | 2,171,253 | 86,688 | 9,440 | 1,219 | (2,073,906) | - | (2,073,906) |
| Highways and streets | 1,602,388 | 8,635 | 97,292 | 630,847 | (865,614) | - | (865,614) |
| Sanitation | 2,591,708 | 1,245,687 | 178,846 | - | (1,167,175) | - | (1,167,175) |
| Health and welfare | 137,143 | 950 | - | - | (136,193) | - | (136,193) |
| Culture and recreation | 192,427 | 94,588 | 2,600 | - | (95,239) | - | (95,239) |
| Conservation | 441 | - | - | - | (441) | - | (441) |
| Economic development | 31,425 | - | - | - | (31,425) | - | (31,425) |
| Interest | <u>320,182</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(320,182)</u> | <u>-</u> | <u>(320,182)</u> |
| Total Governmental Activities | 9,072,520 | 2,646,640 | 319,968 | 632,066 | (5,473,846) | - | (5,473,846) |
| Business-Type Activities | | | | | | | |
| Water services | <u>1,149,314</u> | <u>1,297,363</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>148,049</u> | <u>148,049</u> |
| Total | <u>\$ 10,221,834</u> | <u>\$ 3,944,003</u> | <u>\$ 319,968</u> | <u>\$ 632,066</u> | <u>(5,473,846)</u> | <u>148,049</u> | <u>(5,325,797)</u> |
| General Revenues and Transfers | | | | | | | |
| Property taxes | | | | | 5,256,270 | - | 5,256,270 |
| Excise | | | | | 18,920 | - | 18,920 |
| Penalties, interest and other taxes | | | | | 113,820 | - | 113,820 |
| Grants and contributions not restricted to specific programs | | | | | 387,875 | - | 387,875 |
| Investment income (loss) | | | | | 721,876 | 6,098 | 727,974 |
| Miscellaneous | | | | | 267,784 | 21,909 | 289,693 |
| Transfers (net) | | | | | <u>207,433</u> | <u>(207,433)</u> | <u>-</u> |
| Total general revenues and transfers | | | | | <u>6,973,978</u> | <u>(179,426)</u> | <u>6,794,552</u> |
| Change in Net Assets | | | | | 1,500,132 | (31,377) | 1,468,755 |
| Net Position | | | | | | | |
| Beginning of year, as restated | | | | | <u>14,086,483</u> | <u>8,918,945</u> | <u>23,005,428</u> |
| End of year | | | | | <u>\$ 15,586,615</u> | <u>\$ 8,887,568</u> | <u>\$ 24,474,183</u> |

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

TOWN OF JAFFREY, NEW HAMPSHIRE

Governmental Funds
Balance Sheet
December 31, 2019

| | <u>General</u> | <u>Sewer Fund</u> | <u>Capital Project Fund</u> | <u>Permanent Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|-----------------------|-------------------------------------|---------------------------|--|---|
| Assets | | | | | | |
| Cash and short-term investments | \$ 1,953,345 | \$ 423,235 | \$ 81,463 | \$ - | \$ 382,400 | \$ 2,840,443 |
| Investments | 3,226,509 | - | - | 2,149,954 | 1,017,544 | 6,394,007 |
| Receivables: | | | | | | |
| Property taxes | 816,575 | - | - | - | - | 816,575 |
| Departmental and other | (11,409) | 106,729 | 3,006 | - | 60,495 | 158,821 |
| Intergovernmental | - | - | 123,114 | - | - | 123,114 |
| Due from other funds | 1,794,696 | - | - | - | 22 | 1,794,718 |
| Other assets | <u>263,961</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>263,961</u> |
| Total Assets | <u>\$ 8,043,677</u> | <u>\$ 529,964</u> | <u>\$ 207,583</u> | <u>\$ 2,149,954</u> | <u>\$ 1,460,461</u> | <u>\$ 12,391,639</u> |
| Liabilities | | | | | | |
| Accounts payable | \$ 129,745 | \$ - | \$ - | \$ - | \$ - | \$ 129,745 |
| Due to other funds | 433,892 | 110,236 | 195,334 | - | 42,039 | 781,501 |
| Due to other governments | 3,223,572 | - | - | - | - | 3,223,572 |
| Notes payable | - | - | 77,076 | - | - | 77,076 |
| Other liabilities | <u>5,469</u> | <u>9,499</u> | <u>(7,059)</u> | <u>-</u> | <u>-</u> | <u>7,909</u> |
| Total Liabilities | 3,792,678 | 119,735 | 265,351 | - | 42,039 | 4,219,803 |
| Deferred Inflows of Resources | | | | | | |
| Unavailable revenues | 612,926 | 106,729 | - | - | 55,269 | 774,924 |
| Fund Balances | | | | | | |
| Nonspendable | 261,927 | - | - | 1,615,695 | - | 1,877,622 |
| Restricted: | | | | | | |
| Encumbered | - | 274,023 | - | - | - | 274,023 |
| Unencumbered | - | 29,477 | 466,364 | 534,259 | 1,363,153 | 2,393,253 |
| Committed | 1,882,239 | - | - | - | - | 1,882,239 |
| Assigned | 158,479 | - | - | - | - | 158,479 |
| Unassigned | <u>1,335,428</u> | <u>-</u> | <u>(524,132)</u> | <u>-</u> | <u>-</u> | <u>811,296</u> |
| Total Fund Balance | <u>3,638,073</u> | <u>303,500</u> | <u>(57,768)</u> | <u>2,149,954</u> | <u>1,363,153</u> | <u>7,396,912</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 8,043,677</u> | <u>\$ 529,964</u> | <u>\$ 207,583</u> | <u>\$ 2,149,954</u> | <u>\$ 1,460,461</u> | <u>\$ 12,391,639</u> |

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

TOWN OF JAFFREY, NEW HAMPSHIRE

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
in the Statement of Net Position
December 31, 2019

| | |
|---|-----------------------------|
| Total governmental fund balances | \$ 7,396,912 |
| <ul style="list-style-type: none">Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | 22,670,991 |
| <ul style="list-style-type: none">Long-term receivable not reported in governmental funds. | 191,560 |
| <ul style="list-style-type: none">Revenues are reported on the accrual basis of accounting and are not deferred until collection. | 687,974 |
| <ul style="list-style-type: none">Long-term liabilities, including bonds payable, net pension liability, and net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds. | (15,241,623) |
| Other | <u>(119,199)</u> |
| Net position of governmental activities | \$ <u>15,586,615</u> |

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

TOWN OF JAFFREY, NEW HAMPSHIRE

Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended December 31, 2019

| | <u>General</u> | <u>Sewer Fund</u> | <u>Capital Project Fund</u> | <u>Permanent Fund</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|--|---------------------|-----------------------|-------------------------------------|---------------------------|--|---|
| Revenues | | | | | | |
| Taxes | \$ 4,776,666 | \$ - | \$ - | \$ - | \$ 533,888 | \$ 5,310,554 |
| Excise | - | - | - | - | 18,920 | 18,920 |
| Penalties, interest and other taxes | 97,051 | 4,324 | - | - | 11,950 | 113,325 |
| Charges for services | 43,503 | 1,245,687 | - | - | 89,219 | 1,378,409 |
| Intergovernmental | 684,549 | 192,851 | 431,605 | - | 3,819 | 1,312,824 |
| Licenses and permits | 1,201,732 | - | - | - | - | 1,201,732 |
| Investment income (loss) | 114,990 | 1,759 | 2,024 | 349,666 | 253,930 | 722,369 |
| Contributions and donations | - | - | - | 4,200 | 31,375 | 35,575 |
| Miscellaneous | <u>67,263</u> | <u>184,526</u> | <u>11,462</u> | <u>1,224</u> | <u>97,915</u> | <u>362,390</u> |
| Total Revenues | 6,985,754 | 1,629,147 | 445,091 | 355,090 | 1,041,016 | 10,456,098 |
| Expenditures | | | | | | |
| General government | 1,750,782 | - | - | 19,606 | 164,251 | 1,934,639 |
| Public safety | 2,012,987 | - | - | - | 114,083 | 2,127,070 |
| Highways and streets | 971,382 | - | 1,025,117 | - | 4,365 | 2,000,864 |
| Sanitation | 341,239 | 1,180,599 | - | - | - | 1,521,838 |
| Health and welfare | 137,143 | - | - | - | - | 137,143 |
| Culture and recreation | 558,180 | - | - | 11,839 | 171,208 | 741,227 |
| Conservation | 441 | - | - | - | - | 441 |
| Economic development | 31,425 | - | - | - | - | 31,425 |
| Debt service | 327,224 | 548,471 | 25,206 | - | 58,807 | 959,708 |
| Capital outlay | <u>691,941</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>691,941</u> |
| Total Expenditures | <u>6,822,744</u> | <u>1,729,070</u> | <u>1,050,323</u> | <u>31,445</u> | <u>512,714</u> | <u>10,146,296</u> |
| Excess (deficiency) of revenues over expenditures | 163,010 | (99,923) | (605,232) | 323,645 | 528,302 | 309,802 |
| Other Financing Sources (Uses) | | | | | | |
| Issuance of bonds | - | - | 1,000,000 | - | - | 1,000,000 |
| Transfers in | 609,403 | - | - | - | 85,192 | 694,595 |
| Transfers out | <u>(140,544)</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(346,618)</u> | <u>(487,162)</u> |
| Total Other Financing Sources (Uses) | <u>468,859</u> | <u>-</u> | <u>1,000,000</u> | <u>-</u> | <u>(261,426)</u> | <u>1,207,433</u> |
| Excess of revenues and other sources over expenditures and other uses | 631,869 | (99,923) | 394,768 | 323,645 | 266,876 | 1,517,235 |
| Fund Balance, at Beginning of Year, as restated | <u>3,006,204</u> | <u>403,423</u> | <u>(452,536)</u> | <u>1,826,309</u> | <u>1,096,277</u> | <u>5,879,677</u> |
| Fund Balance, at End of Year | <u>\$ 3,638,073</u> | <u>\$ 303,500</u> | <u>\$ (57,768)</u> | <u>\$ 2,149,954</u> | <u>\$ 1,363,153</u> | <u>\$ 7,396,912</u> |

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

TOWN OF JAFFREY, 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, 2019

| | |
|---|----------------------------|
| Net change in fund balances - total governmental funds | \$ 1,517,235 |
| <ul style="list-style-type: none">Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:<ul style="list-style-type: none">Capital outlay 1,662,963Depreciation (1,266,259)The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position.<ul style="list-style-type: none">Issuance of debt (1,000,000)Repayments of debt 582,954Repayments of capital lease 48,000Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, etc.) differ between the two statements. This amount represents the net change in unavailable revenue. 8,575Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:<ul style="list-style-type: none">Net pension liability and related deferred outflows and inflows of resources (135,489)Net OPEB liability and related deferred outflows and inflows of resources 12,024OtherOther differences 70,129 | |
| Change in net position of governmental activities | \$ <u>1,500,132</u> |

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

TOWN OF JAFFREY, NEW HAMPSHIRE

General Fund

Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual
For the Year Ended December 31, 2019

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget |
|---|----------------------------|-------------------------|---------------------------|--------------------------------|
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | <u>Positive (Negative)</u> |
| Revenues | | | | |
| Property taxes | \$ 4,802,178 | \$ 4,802,178 | \$ 4,802,178 | \$ - |
| Penalties, interest and other taxes | 52,000 | 52,000 | 97,051 | 45,051 |
| Licenses and permits | 1,094,200 | 1,094,200 | 1,201,732 | 107,532 |
| Intergovernmental | 658,506 | 658,506 | 684,549 | 26,043 |
| Charges for services | 40,525 | 40,525 | 43,503 | 2,978 |
| Investment income | 23,000 | 23,000 | 39,834 | 16,834 |
| Miscellaneous | <u>35,000</u> | <u>35,000</u> | <u>72,263</u> | <u>37,263</u> |
| Total Revenues | 6,705,409 | 6,705,409 | 6,941,110 | 235,701 |
| Expenditures | | | | |
| General government | 1,553,409 | 1,553,409 | 1,526,259 | 27,150 |
| Public safety | 2,117,167 | 2,117,167 | 2,027,520 | 89,647 |
| Highways and streets | 1,049,560 | 1,049,560 | 1,028,130 | 21,430 |
| Sanitation | 363,244 | 363,244 | 341,239 | 22,005 |
| Health and welfare | 181,536 | 181,536 | 137,143 | 44,393 |
| Culture and recreation | 578,544 | 578,544 | 562,863 | 15,681 |
| Conservation | 475 | 475 | 441 | 34 |
| Economic development | 34,046 | 34,046 | 31,425 | 2,621 |
| Debt service | 382,576 | 382,576 | 382,576 | - |
| Capital outlay | <u>831,720</u> | <u>831,720</u> | <u>816,764</u> | <u>14,956</u> |
| Total Expenditures | <u>7,092,277</u> | <u>7,092,277</u> | <u>6,854,360</u> | <u>237,917</u> |
| Excess (deficiency) of revenues over expenditures | (386,868) | (386,868) | 86,750 | 473,618 |
| Other Financing Sources/(Uses) | | | | |
| Transfers in | 640,787 | 640,787 | 435,213 | (205,574) |
| Transfers out | (688,919) | (688,919) | (688,919) | - |
| Other source(s) | <u>435,000</u> | <u>435,000</u> | <u>435,000</u> | <u>-</u> |
| Total Other Financing Sources/Uses | <u>386,868</u> | <u>386,868</u> | <u>181,294</u> | <u>(205,574)</u> |
| Excess (deficiency) of revenues and other sources over expenditures and other uses | \$ <u>-</u> | \$ <u>-</u> | \$ <u>268,044</u> | \$ <u>268,044</u> |

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

TOWN OF JAFFREY, NEW HAMPSHIRE

Sewer Fund

Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual
For the Year Ended December 31, 2019

| | <u>Budgeted Amounts</u> | | | Variance with Final Budget Positive (Negative) |
|---|----------------------------|-------------------------|---------------------------|---|
| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amounts</u> | |
| Revenues | | | | |
| User fees | \$ 2,028,591 | \$ 2,028,591 | \$ 1,584,253 | \$ (444,338) |
| Total Revenues | 2,028,591 | 2,028,591 | 1,584,253 | (444,338) |
| Expenditures | | | | |
| Public works | 1,480,120 | 1,480,120 | 1,167,299 | 312,821 |
| Debt service | 548,471 | 548,471 | 548,471 | - |
| Total Expenditures | 2,028,591 | 2,028,591 | 1,715,770 | 312,821 |
| Excess (deficiency) of revenues over expenditures | \$ - | \$ - | \$ (131,517) | \$ (131,517) |

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

TOWN OF JAFFREY, NEW HAMPSHIRE

Proprietary Funds
Statement of Net Position
December 31, 2019

| | Business-Type Activities Enterprise Funds |
|--|--|
| | <u>Water Fund</u> |
| Assets | |
| Current: | |
| Cash and short-term investments | \$ 1,915,188 |
| User fees, net of allowance for uncollectibles | 71,959 |
| Intergovernmental receivables | 1,795,691 |
| Due from other funds | 233,266 |
| Other assets | <u>7,629</u> |
| Total current assets | 4,023,733 |
| Noncurrent: | |
| Capital assets: | |
| Land and construction in progress | 5,418,182 |
| Other capital assets, net of accumulated depreciation | <u>6,362,942</u> |
| Total noncurrent assets | 11,781,124 |
| Deferred Outflows of Resources | |
| Related to pensions | 22,591 |
| Related to OPEB | <u>1,003</u> |
| Total Assets and Deferred Outflows of Resources | 15,828,451 |
| Liabilities | |
| Current: | |
| Accrued liabilities | 52,134 |
| Notes payable | 2,840,000 |
| Retainage payable | 184,084 |
| Due to other funds | 1,230,480 |
| Other current liabilities | 1,803 |
| Current portion of long-term liabilities: | |
| Bonds payable | <u>192,126</u> |
| Total current liabilities | 4,500,627 |
| Noncurrent: | |
| Bonds payable, net of current portion | 2,172,763 |
| Net pension liability | 212,993 |
| Net OPEB liability | <u>42,193</u> |
| Total noncurrent liabilities | 2,427,949 |
| Deferred Inflows of Resources | |
| Related to pensions | 12,250 |
| Related to OPEB | <u>57</u> |
| Total Liabilities and Deferred Inflows of Resources | 6,940,883 |
| Net Position | |
| Net investment in capital assets | 5,925,408 |
| Unrestricted | <u>2,962,160</u> |
| Total Net Position | <u>\$ 8,887,568</u> |

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

TOWN OF JAFFREY, NEW HAMPSHIRE

Proprietary Funds
Statement of Revenues, Expenses and Changes in Fund Net Position
For the Year Ended December 31, 2019

| | Business-Type Activities <u>Enterprise Funds</u> <u>Water Fund</u> |
|--|---|
| Operating Revenues | |
| Charges for services | \$ 1,297,363 |
| Other | <u>21,909</u> |
| Total Operating Revenues | 1,319,272 |
| Operating Expenses | |
| Salaries and benefits | 373,914 |
| Other operating expenses | 340,733 |
| Depreciation | <u>332,123</u> |
| Total Operating Expenses | <u>1,046,770</u> |
| Operating Income | 272,502 |
| Nonoperating Revenues (Expenses) | |
| Investment income | 6,098 |
| Interest expense | <u>(102,544)</u> |
| Total Nonoperating Revenues (Expenses), Net | <u>(96,446)</u> |
| Income Before Transfers | 176,056 |
| Transfers | |
| Transfers in | 122,567 |
| Transfers out | <u>(330,000)</u> |
| Change in Net Position | (31,377) |
| Net Position at Beginning of Year, as restated | <u>8,918,945</u> |
| Net Position at End of Year | \$ <u><u>8,887,568</u></u> |

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

TOWN OF JAFFREY, NEW HAMPSHIRE

Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2019

| | Business-Type Activities <u>Enterprise Funds</u> <u>Water Fund</u> |
|--|---|
| Cash Flows From Operating Activities | |
| Receipts from customers and users | \$ 1,357,925 |
| Payments to vendors and employees | <u>(511,766)</u> |
| Net Cash Provided By Operating Activities | 846,159 |
| Cash Flows From Noncapital Financing Activities | |
| Transfers in | 172,958 |
| Transfers out | <u>(330,000)</u> |
| Net Cash Provided By Noncapital Financing Activities | (157,042) |
| Cash Flows From Capital and Related Financing Activities | |
| Acquisition and construction of capital assets | (2,558,100) |
| Principal payments on bonds | (190,300) |
| Principal proceeds on notes | 2,840,000 |
| Interest expense | (102,544) |
| Other non-operating income | <u>(416,773)</u> |
| Net Cash (Used For) Capital and Related Financing Activities | (427,717) |
| Cash Flows From Investing Activities | |
| Investment income | <u>6,098</u> |
| Net Cash Provided By Investing Activities | <u>6,098</u> |
| Net Change in Cash and Short-Term Investments | 267,498 |
| Cash and Short-Term Investments, Beginning of Year | <u>1,647,690</u> |
| Cash and Short-Term Investments, End of Year | <u><u>\$ 1,915,188</u></u> |
| Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities | |
| Operating income (loss) | \$ 272,502 |
| Adjustments to reconcile operating income (loss) to net cash provided by operating activities: | |
| Depreciation | 332,123 |
| Changes in assets, liabilities, and deferred outflows/inflows: | |
| User fees | 32,432 |
| Deferred outflows - related to pensions | 8,385 |
| Deferred outflows - related to OPEB | 1,534 |
| Total OPEB liability | (2,072) |
| Net pension liability | 1,466 |
| Deferred inflows - related to pensions | (3,690) |
| Deferred inflows - related to OPEB | (8) |
| Other liabilities | <u>203,487</u> |
| Net Cash Provided By Operating Activities | <u><u>\$ 846,159</u></u> |

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

TOWN OF JAFFREY, NEW HAMPSHIRE

Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2019

| | Private Purpose Trust <u>Funds</u> | Agency <u>Funds</u> |
|----------------------------------|---|--------------------------------|
| Assets | | |
| Cash and short-term investments | \$ - | \$ 60,421 |
| Investments | | |
| Money markets | 380,663 | 111,220 |
| Federal agency securities | - | 23,631 |
| Corporate bonds | 1,015,387 | 249,475 |
| Corporate equities | 2,948,250 | 724,368 |
| Treasury notes | <u>253,000</u> | <u>125,825</u> |
| Total Investments | <u>4,597,300</u> | <u>1,234,519</u> |
| Total Assets | 4,597,300 | 1,294,940 |
| Liabilities | | |
| Due to other funds | - | 16,004 |
| Other liabilities | <u>-</u> | <u>1,278,936</u> |
| Total Liabilities | <u>-</u> | \$ <u><u>1,294,940</u></u> |
| Net Position | | |
| Restricted for other purposes | <u>4,597,300</u> | |
| Total net position held in trust | \$ <u><u>4,597,300</u></u> | |

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

TOWN OF JAFFREY, NEW HAMPSHIRE

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2019

| | Private Purpose Funds |
|--|-----------------------------|
| Additions | |
| Investment income | \$ <u>740,278</u> |
| Total additions | 740,278 |
| Deductions | |
| Other | <u>65,996</u> |
| Total deductions | <u>65,996</u> |
| Net increase | 674,282 |
| Net position restricted for pensions and other purposes | |
| Beginning of year | <u>3,923,018</u> |
| End of year | \$ <u><u>4,597,300</u></u> |

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

TOWN OF JAFFREY, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In 2019, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenue, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
Government-wide Financial Statements

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

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

Fund Financial Statements

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

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *sewer fund* accounts for the operations of the sewer activities for the Town.
- The *capital project fund* accounts mainly for the construction of a new septage facility.
- The *permanent trust fund* accounts for the trust activities.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary fund:

- Water operations

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The Town reports the following fiduciary funds:

- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *agency funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

Cash and Short-Term Investments

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

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.

Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the trust funds consist of marketable securities, bonds, and short-term money market investments. Investments are carried at fair value.

Interfund Receivables and Payables

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$20,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

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

| <u>Assets</u> | <u>Years</u> |
|-----------------------|--------------|
| Buildings | 40 |
| Building improvements | 20 |
| Infrastructure | 50 - 75 |
| Vehicles | 5 |
| Office equipment | 5 |
| Computer equipment | 5 |

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide, proprietary, and fiduciary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

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

Fund Equity

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

Fund Balance

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

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

Net Position

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

Use of Estimates

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

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Town's budget is originally prepared by the Selectmen's Office with the cooperation of the various department heads. It is then submitted to the Budget Committee, in accordance with the Municipal Budget Law. After reviewing the budget, the Committee holds a public hearing for discussion.

The final version of the budget is then submitted for approval at the annual Town Meeting. The approved budget is subsequently reported to the State of New Hampshire on the statement of appropriation form in order to establish the current property tax rate.

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

Departments are limited to the line items as voted. Certain items may exceed the line item budget as approved if it is for an emergency and for the safety of the general public.

Formal budgetary integration is employed as a management control device during the year for the general fund and proprietary funds.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

Budgetary Basis

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

Budget/GAAP Reconciliation

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

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

| <u>General Fund</u> | <u>Revenues</u> | <u>Expenditures</u> | <u>Other Financing Sources/Uses</u> |
|--|---------------------|---------------------|---|
| GAAP basis | \$ 6,985,754 | \$ 6,822,744 | 468,859 |
| Adjust tax revenue to accrual basis | 25,512 | - | - |
| Reverse beginning of year appropriation carryforwards from expenditures | - | (61,573) | - |
| Add end-of-year appropriation carryforwards from expenditures | - | 283,302 | - |
| To record use of fund balance | - | - | 435,000 |
| Other timing differences | - | 21,290 | 55,352 |
| To remove unbudgeted capital reserve fund | <u>(70,156)</u> | <u>(211,403)</u> | <u>(777,917)</u> |
| Budgetary basis | <u>\$ 6,941,110</u> | <u>\$ 6,854,360</u> | <u>181,294</u> |

| <u>Sewer Fund</u> | <u>Revenues</u> | <u>Expenditures</u> |
|--------------------------|---------------------|---------------------|
| (GAAP basis) | \$ 1,629,147 | \$ 1,729,070 |
| Other timing differences | <u>(44,894)</u> | <u>(13,300)</u> |
| Budgetary basis | <u>\$ 1,584,253</u> | <u>\$ 1,715,770</u> |

Deficit Fund Equity

Certain individual funds reflected deficit balances as of December 31, 2019.

It is anticipated that the deficits in these funds will be eliminated through future departmental revenues, bond proceeds, and transfers from other funds.

3. Cash and Short-Term Investments

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a town with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." The Town does not have a deposit policy for custodial credit risk.

As of December 31, 2019, none of the Town's bank balance of \$4,954,331 was exposed to custodial credit risk as uninsured and/or uncollateralized.

4. Investments

The following is a summary of the Town's investments as of June 30, 2019 (rounded in thousands):

| <u>Investment Type</u> | <u>Amount</u> |
|---------------------------|------------------|
| Certificates of deposits | \$ 1,035 |
| Corporate bonds | 1,991 |
| Corporate equities | 5,246 |
| Money markets | 1,323 |
| Federal agency securities | 652 |
| U.S. Treasury notes | 1,979 |
| Total investments | <u>\$ 12,226</u> |

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

The Town does not have formal investment policies related to credit risk.

Presented below (in thousands) is the actual rating as of year-end for each investment type of the Town. (All federal agency securities have an implied credit rating of AAA.):

| <u>Investment Type</u> | <u>Amount</u> | <u>Rating as of Year End</u> | | |
|---------------------------|-----------------|------------------------------|-----------------|----------------|
| | | <u>AAA</u> | <u>A</u> | <u>Unrated</u> |
| Corporate bonds | \$ 1,991 | \$ - | \$ 1,991 | \$ - |
| Federal agency securities | 652 | 652 | - | - |
| U.S. Treasury notes | <u>1,979</u> | <u>1,979</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 4,622</u> | <u>\$ 2,631</u> | <u>\$ 1,991</u> | <u>\$ -</u> |

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have policies for custodial credit risk.

As of December 31, 2019, \$12,225,817 of the Town's total investments were subject to custodial credit risk exposure because the related securities are uninsured, unregistered,

and/or held by the Town's brokerage firm, which is also the counterparty to these securities as follows:

| <u>Investment Type</u> | <u>Amount</u> | Held by <u>Counterparty</u> |
|---------------------------|-----------------|--------------------------------|
| Corporate bonds | \$ 1,991 | \$ 1,991 |
| Federal agency securities | 652 | 652 |
| U.S. Treasury notes | <u>1,979</u> | <u>1,979</u> |
| Total | \$ <u>4,622</u> | \$ <u>4,622</u> |

Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

Investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments are excluded from concentration of credit disclosure.

As of December 31, 2019, the Town does not have an investment in one issuer greater than 5% of total investments.

Interest Rate Risk

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

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (in thousands):

| <u>Investment Type</u> | <u>Amount</u> | <u>Investment Maturities (in Years)</u> | | | |
|---------------------------|-----------------|---|-----------------|---------------|-------------------|
| | | Less <u>Than 1</u> | <u>1-5</u> | <u>6-10</u> | <u>Thereafter</u> |
| Certificates of Deposit | \$ 1,035 | \$ 1,035 | \$ - | \$ - | \$ - |
| Corporate bonds | 1,991 | 136 | 526 | 315 | 1,014 |
| Federal agency securities | 652 | 25 | 627 | - | - |
| U.S. Treasury notes | <u>1,979</u> | <u>352</u> | <u>1,577</u> | <u>50</u> | <u>-</u> |
| Total | \$ <u>5,657</u> | \$ <u>1,548</u> | \$ <u>2,730</u> | \$ <u>365</u> | \$ <u>1,014</u> |

Foreign Currency Risk

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

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The Town has the following fair value measurements as of December 31, 2019:

| | | Fair Value Measurements Using: | | |
|----------------------------------|------------------|--|--|--|
| | | Quoted prices in active markets for identical assets (Level 1) | Significant observable inputs (Level 2) | Significant unobservable inputs (Level 3) |
| <u>Investment Type</u> | <u>Amount</u> | | | |
| Investments by fair value level: | | | | |
| Corporate bonds | \$ 1,991 | \$ - | \$ 1,991 | \$ - |
| Corporate equities | 5,246 | 5,246 | - | - |
| Equity mutual funds | 1,323 | 1,323 | - | - |
| Federal agency securities | 652 | 652 | - | - |
| U.S. Treasury notes | <u>1,979</u> | 1,979 | - | - |
| Total | <u>\$ 11,191</u> | | | |

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

5. Property Taxes Receivable

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

Property taxes are due on July 1 and December 1. Delinquent accounts are charged 8% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs, and accrued interest. The accounts that are lienied by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 14%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Property taxes receivable reported in the government-wide financial statements are net of an allowance for doubtful accounts of \$81,604.

Property taxes receivable at December 31, 2019 consist of the following:

| | Gross Amount (fund basis) | Allowance for Doubtful Accounts | Current Portion | Long- Term Portion |
|----------------------|---------------------------------|---------------------------------------|--------------------|--------------------------|
| Real estate taxes | \$ 483,934 | \$ (48,340) | 435,594 | \$ - |
| Tax liens | <u>332,641</u> | <u>(33,264)</u> | <u>-</u> | <u>299,377</u> |
| Total property taxes | <u>\$ 816,575</u> | <u>\$ (81,604)</u> | <u>435,594</u> | <u>\$ 299,377</u> |

6. User Fee Receivables

Receivables for user charges and betterments at December 31, 2019 consist of the following:

| | Gross Amount | Allowance for Doubtful Accounts | Net Amount |
|---------------------|-------------------|---------------------------------------|-------------------|
| <u>Receivables:</u> | | | |
| Water | \$ 86,904 | \$ (14,945) | \$ 71,959 |
| Sewer | <u>106,729</u> | <u>-</u> | <u>106,729</u> |
| Total | <u>\$ 193,633</u> | <u>\$ (14,945)</u> | <u>\$ 178,688</u> |

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in 2019.

8. Interfund Fund Accounts

Receivables/Payables

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

| <u>Fund</u> | <u>Due From Other Funds</u> | <u>Due To Other Funds</u> |
|-------------------------|---------------------------------|-------------------------------|
| General Fund | \$ 1,794,696 | \$ 433,892 |
| Sewer Fund | - | 110,236 |
| Nonmajor Funds: | | |
| Special Revenue Funds | 22 | 42,038 |
| Capital Project Funds | <u>-</u> | <u>195,334</u> |
| Subtotal Nonmajor Funds | 22 | 237,372 |
| Water Enterprise Fund | <u>233,266</u> | <u>1,230,480</u> |
| Grand Total | \$ <u>2,027,984</u> | \$ <u>2,011,980</u> |

The Town reported a due to other funds in the agency fund in the amount of \$16,004.

Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of major interfund transfers.

| <u>Governmental Funds</u> | <u>Transfers In</u> | <u>Transfers Out</u> |
|-------------------------------|---------------------|----------------------|
| General Fund | \$ 609,403 | \$ 140,544 |
| Nonmajor Funds | <u>85,192</u> | <u>346,618</u> |
| Subtotal Governmental Funds | 694,595 | 487,162 |
| <u>Business-Type Funds</u> | | |
| Water Fund | <u>122,567</u> | <u>330,000</u> |
| Subtotal Business-Type Funds: | <u>122,567</u> | <u>330,000</u> |
| Grand Total | \$ <u>817,162</u> | \$ <u>817,162</u> |

The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

9. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows (in thousands):

| | Beginning Balance | Increases | Decreases | Ending Balance |
|--|----------------------|-----------------|-------------|-------------------|
| Governmental Activities | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 8,970 | \$ - | \$ - | \$ 8,970 |
| Machinery, equipment, and furnishings | 7,105 | 165 | - | 7,270 |
| Infrastructure | <u>20,605</u> | <u>474</u> | <u>-</u> | <u>21,079</u> |
| Total capital assets, being depreciated | 36,680 | 639 | - | 37,319 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (7,097) | (287) | - | (7,384) |
| Machinery, equipment, and furnishings | (3,246) | (291) | - | (3,537) |
| Infrastructure | <u>(6,097)</u> | <u>(689)</u> | <u>-</u> | <u>(6,786)</u> |
| Total accumulated depreciation | <u>(16,440)</u> | <u>(1,267)</u> | <u>-</u> | <u>(17,707)</u> |
| Total capital assets, being depreciated, net | 20,240 | (628) | - | 19,612 |
| Capital assets, not being depreciated: | | | | |
| Land | 735 | - | - | 735 |
| Construction in progress | <u>1,299</u> | <u>1,025</u> | <u>-</u> | <u>2,324</u> |
| Total capital assets, not being depreciated | <u>2,034</u> | <u>1,025</u> | <u>-</u> | <u>3,059</u> |
| Governmental activities capital assets, net | <u>\$ 22,274</u> | <u>\$ 397</u> | <u>\$ -</u> | <u>\$ 22,671</u> |
| | | | | |
| | Beginning Balance | Increases | Decreases | Ending Balance |
| Business-Type Activities | | | | |
| Capital assets, being depreciated: | | | | |
| Buildings and improvements | \$ 8,786 | \$ - | \$ - | \$ 8,786 |
| Machinery, equipment, and furnishings | 501 | - | - | 501 |
| Infrastructure | <u>3,445</u> | <u>-</u> | <u>-</u> | <u>3,445</u> |
| Total capital assets, being depreciated | 12,732 | - | - | 12,732 |
| Less accumulated depreciation for: | | | | |
| Buildings and improvements | (4,326) | (222) | - | (4,548) |
| Machinery, equipment, and furnishings | (218) | (22) | - | (240) |
| Infrastructure | <u>(1,493)</u> | <u>(88)</u> | <u>-</u> | <u>(1,581)</u> |
| Total accumulated depreciation | <u>(6,037)</u> | <u>(332)</u> | <u>-</u> | <u>(6,369)</u> |
| Total capital assets, being depreciated, net | 6,695 | (332) | - | 6,363 |
| Capital assets, not being depreciated: | | | | |
| Land | 221 | - | - | 221 |
| Construction in progress | <u>2,639</u> | <u>2,558</u> | <u>-</u> | <u>5,197</u> |
| Total capital assets, not being depreciated | <u>2,860</u> | <u>2,558</u> | <u>-</u> | <u>5,418</u> |
| Business-type activities capital assets, net | <u>\$ 9,555</u> | <u>\$ 2,226</u> | <u>\$ -</u> | <u>\$ 11,781</u> |

Depreciation expense was charged to functions of the Town as follows (in thousands):

| | |
|--------------------------------|-----------------|
| Governmental Activities | |
| General government | \$ 67 |
| Public safety | 96 |
| Public works | 1,051 |
| Culture and recreation | <u>53</u> |
| Total Governmental activities | \$ <u>1,267</u> |
| Business-Type Activities | |
| Water | \$ <u>332</u> |
| Total Business-type activities | \$ <u>332</u> |

10. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

11. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent 2019 expenditures paid after December 31, 2019.

12. Due to School District

The total School District assessments for the period July 1, 2019 through June 30, 2020 were \$7,264,959. The School District assessments are paid in monthly installments. As of December 31, 2019, a total of \$4,038,234 was paid, leaving a balance of \$3,226,725 to be paid through June 30, 2020.

13. Notes Payable

The Town had the following note(s) outstanding at December 31, 2019:

| <u>Purpose</u> | <u>Interest Rate</u> | <u>Date of Issue</u> | <u>Date of Maturity</u> | <u>Balance at 12/31/19</u> |
|--|----------------------|----------------------|-------------------------|----------------------------|
| Wastewater asset management and planning | N/A | 10/16/15 | 10/16/20 | \$ 77,076 |
| NH DES - Drinking Water State Revolving Loan | N/A | 04/10/19 | 10/01/20 | <u>2,840,000</u> |
| Total | | | | <u>\$ 2,917,076</u> |

The following summarizes activity in note(s) payable during year 2019:

| <u>Purpose</u> | <u>Balance Beginning of Year</u> | <u>New Issues</u> | <u>Maturities</u> | <u>Balance End of Year</u> |
|--|----------------------------------|---------------------|-----------------------|----------------------------|
| Wastewater asset management and planning | \$ 88,538 | \$ - | \$ (11,462) | \$ 77,076 |
| General obligation - septic | 1,000,000 | - | (1,000,000) | - |
| NH DES - Drinking Water State Revolving Loan | - | 2,840,000 | - | 2,840,000 |
| Total | <u>\$ 1,088,538</u> | <u>\$ 2,840,000</u> | <u>\$ (1,011,462)</u> | <u>\$ 2,917,076</u> |

14. Long-Term Debt

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds currently outstanding are as follows:

| <u>Governmental Activities</u> | <u>Serial Maturities Through</u> | <u>Interest Rate(s) %</u> | <u>Amount Outstanding as of 12/31/19</u> |
|---|----------------------------------|---------------------------|--|
| Pierce Crossing/Hadley Rd bridge | 08/15/21 | 4.69% | \$ 70,000 |
| Sewer facility upgrade 2002 | 01/01/23 | 2.70% | 186,736 |
| Jaffrey community center | 08/15/24 | 4.38% | 65,000 |
| Sewer facility upgrade 2005 | 01/01/25 | 3.69% | 451,875 |
| Clean water loan | 11/01/26 | 0.00% | 128,625 |
| AWWTF construction | 02/01/32 | 0.72% | 1,236,353 |
| Sewer tertiary treatment/wood pellet boiler | 07/01/32 | 2.72% | 1,011,588 |
| AWWTF construction - refunding | 08/15/35 | 4.00% | 5,445,000 |
| General obligation - septic | 07/26/48 | 2.75% | <u>1,000,000</u> |
| Total Governmental Activities | | | <u>\$ 9,595,177</u> |

| <u>Business-Type Activities</u> | Serial Maturities Through | Interest Rate(s) % | Amount Outstanding as of 12/31/19 |
|--|---------------------------------|-----------------------|--|
| Water main bond | 01/15/21 | 5.08% | \$ 150,000 |
| Stone arch bridge | 08/15/32 | 3.55% | 500,000 |
| NH DES - Drinking Water State Revolving Loan | 02/15/37 | 3.55% | <u>1,714,889</u> |
| Total Business-Type Activities | | | <u>\$ 2,364,889</u> |

Future Debt Service

The annual payments to retire all general obligation long-term debt outstanding as of December 31, 2019 are as follows:

| <u>Governmental</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|---------------------|---------------------|---------------------|----------------------|
| 2020 | \$ 631,318 | \$ 226,215 | \$ 857,533 |
| 2021 | 650,300 | 208,915 | 859,215 |
| 2022 | 629,393 | 190,950 | 820,343 |
| 2023 | 638,598 | 174,300 | 812,898 |
| 2024 | 611,229 | 157,782 | 769,011 |
| 2025-2029 | 2,873,767 | 563,870 | 3,437,637 |
| 2030-2034 | 2,667,832 | 302,620 | 2,970,452 |
| 2035-2039 | 582,420 | 68,008 | 650,428 |
| 2040-2044 | 172,420 | 32,001 | 204,421 |
| 2045-2048 | <u>137,900</u> | <u>8,532</u> | <u>146,432</u> |
| Total | <u>\$ 9,595,177</u> | <u>\$ 1,933,193</u> | <u>\$ 11,528,370</u> |

| <u>Business-Type</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------|---------------------|-------------------|---------------------|
| 2020 | \$ 192,126 | \$ 38,352 | \$ 230,478 |
| 2021 | 193,996 | 31,948 | 225,944 |
| 2022 | 115,910 | 27,504 | 143,414 |
| 2023 | 117,872 | 25,289 | 143,161 |
| 2024 | 119,880 | 23,065 | 142,945 |
| 2025-2029 | 631,281 | 86,123 | 717,404 |
| 2030-2034 | 654,329 | 31,693 | 686,022 |
| 2035-2037 | <u>339,495</u> | <u>2,901</u> | <u>342,396</u> |
| Total | <u>\$ 2,364,889</u> | <u>\$ 266,875</u> | <u>\$ 2,631,764</u> |

Changes in General Long-Term Liabilities

During the year ended December 31, 2019, the following changes occurred in long-term liabilities (in thousands):

| | Beginning Balance | Additions | Reductions | Ending Balance | Less Current Portion | Equals Long-Term Portion |
|---------------------------------|----------------------|-----------|------------|-------------------|----------------------------|--------------------------------|
| Governmental Activities | | | | | | |
| Bonds payable | \$ 9,178 | \$ 1,000 | \$ (583) | \$ 9,595 | \$ (631) | \$ 8,964 |
| Net pension liability | 4,651 | 32 | - | 4,683 | - | 4,683 |
| Net OPEB liability | 973 | - | (45) | 928 | - | 928 |
| Other: | | | | | | |
| Landfill liability | 143 | - | (36) | 107 | (36) | 71 |
| Compensated absences | 301 | - | (125) | 176 | (9) | 167 |
| Capital lease | 48 | - | (48) | - | - | - |
| Subtotal - other | 492 | - | (209) | 283 | (45) | 238 |
| Totals | \$ 15,294 | \$ 1,032 | \$ (837) | \$ 15,489 | \$ (676) | \$ 14,813 |
| Business-Type Activities | | | | | | |
| Bonds payable | \$ 2,555 | \$ - | \$ (190) | \$ 2,365 | \$ (192) | \$ 2,173 |
| Net pension liability | 212 | 1 | - | 213 | - | 213 |
| Net OPEB liability | 44 | - | (2) | 42 | - | 42 |
| Other: | | | | | | |
| Compensated absences | 14 | - | (14) | - | - | - |
| Subtotal - other | 14 | - | (14) | - | - | - |
| | \$ 2,825 | \$ 1 | \$ (206) | \$ 2,620 | \$ (192) | \$ 2,428 |

Long-Term Debt Supporting Governmental and Business-Type Activities

General obligation bonds, issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the general fund and user fees recorded in enterprise funds. All other long-term debt is repaid from the funds that the cost relates to, primarily the general fund and enterprise fund(s).

15. Landfill Closure and Postclosure Care Costs

State and Federal laws and regulations require the Town to perform certain maintenance and monitoring functions at the landfill site for thirty years after closure.

The \$107,400 reported as landfill postclosure care liability at December 31, 2019 represents the remaining estimated postclosure maintenance costs. These amounts are based on what it would cost to perform all postclosure care in 2019. Actual cost may be higher due to inflation, changes in technology, or changes in regulations.

16. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative

effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

17. Governmental Funds - Balances

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

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

The following types of fund balances are reported at December 31, 2019:

Nonspendable

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

Restricted

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

Committed

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, capital reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned

Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current

year budgetary financial resources upon vendor performance in the subsequent budgetary period.

Unassigned

Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at December 31, 2019:

| | General <u>Fund</u> | Sewer Major <u>Fund</u> | Capital Project <u>Fund</u> | Permanent <u>Fund</u> | Nonmajor Governmental <u>Funds</u> | Total Governmental <u>Funds</u> |
|----------------------------------|------------------------|-------------------------------|-----------------------------------|--------------------------|--|---------------------------------------|
| Nonspendable | | | | | | |
| Prepaid expenses | \$ 261,927 | \$ - | \$ - | \$ - | \$ - | \$ 261,927 |
| Nonexpendable permanent funds | - | - | - | 1,615,695 | - | 1,615,695 |
| Total Nonspendable | 261,927 | - | - | 1,615,695 | - | 1,877,622 |
| Restricted | | | | | | |
| Sewer | - | 303,500 | - | - | - | 303,500 |
| Special revenue funds | - | - | - | - | 1,229,159 | 1,229,159 |
| Capital project funds | - | - | 466,364 | - | - | 466,364 |
| Expendable permanent funds | - | - | - | 534,259 | - | 534,259 |
| Special revenue expendable trust | - | - | - | - | 133,994 | 133,994 |
| Total Restricted | - | 303,500 | 466,364 | 534,259 | 1,363,153 | 2,667,276 |
| Committed | | | | | | |
| Capital reserve funds | 1,757,416 | - | - | - | - | 1,757,416 |
| Continuing appropriations: | | | | | | |
| Highway equipment | 96,720 | - | - | - | - | 96,720 |
| Fire department equipment | 28,103 | - | - | - | - | 28,103 |
| Total Committed | 1,882,239 | - | - | - | - | 1,882,239 |
| Assigned | | | | | | |
| Encumbrances: | | | | | | |
| General government | 64,574 | - | - | - | - | 64,574 |
| Public safety | 22,982 | - | - | - | - | 22,982 |
| Public works | 70,923 | - | - | - | - | 70,923 |
| Total Assigned | 158,479 | - | - | - | - | 158,479 |
| Unassigned | | | | | | |
| General fund unassigned | 1,335,428 | - | - | - | - | 1,335,428 |
| Capital project funds | - | - | (524,132) | - | - | (524,132) |
| Total Unassigned | 1,335,428 | - | (524,132) | - | - | 811,296 |
| Total Fund Balance | \$ 3,638,073 | \$ 303,500 | \$ (57,768) | \$ 2,149,954 | \$ 1,363,153 | \$ 7,396,912 |

18. General Fund Unassigned Fund Balance

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

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

| | |
|---------------------|---------------------|
| GAAP basis balance | \$ 1,335,428 |
| Unavailable revenue | <u>612,926</u> |
| Statutory Basis | <u>\$ 1,948,354</u> |

19. Retirement System

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

Plan Description

Full-time employees participate in the New Hampshire Retirement System (NHRS), a cost-sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

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

Benefits Provided

Group 1 benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

Group II benefits are provided based on age, years of creditable service, and a benefit multiplier depending on vesting status as of January 1, 2012. The maximum retirement allowance for Group II members vested by January 1, 2012 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by January 1, 2012, the benefit is calculated the same way

but the multiplier used in the calculation will change depending on age and years of creditable service, as follows:

| Years of creditable service as of <u>January 1, 2012</u> | Minimum <u>Age</u> | Minimum <u>Service</u> | Benefit <u>Multiplier</u> |
|---|-----------------------|---------------------------|------------------------------|
| At least 3 but less than 10 years | 46 | 21 | 2.4% |
| At least 6 but less than 8 years | 47 | 22 | 2.3% |
| At least 4 but less than 6 years | 48 | 12 | 2.2% |
| Less than 4 years | 49 | 24 | 2.1% |

Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and teachers 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 11.08% to 27.79% of covered compensation. The Town's contributions to NHRS for the year ended December 31, 2019 was \$442,845, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

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

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

At December 31, 2019, the Town reported a liability of \$4,896,386 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2019, the Town's proportion was 0.1018 percent.

For the year ended December 31, 2019, the Town recognized pension expense of \$589,182. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

| | Deferred Outflows of <u>Resources</u> | Deferred Inflows of <u>Resources</u> |
|--|---|--|
| Differences between expected and actual experience | \$ 27,073 | \$ 105,286 |
| Changes of assumptions | 175,680 | - |
| Net difference between projected and actual earnings on pension plan investments | - | 39,996 |
| Changes in proportion and differences between contributions and proportionate share of contributions | 70,460 | 136,335 |
| Contributions subsequent to the measurement date | <u>246,124</u> | <u>-</u> |
| Total | <u>\$ 519,337</u> | <u>\$ 281,617</u> |

The amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2020. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|-------|-------------------|
| 2020 | 140,385 |
| 2021 | (140,567) |
| 2022 | (25,152) |
| 2023 | <u>16,930</u> |
| Total | <u>\$ (8,404)</u> |

Actuarial Assumptions

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

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period January 1, 2010 – December 31, 2015.

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

| Asset Class | Target Allocation Percentage | Weighted Average Average Long- Term Expected Real Rate of Return |
|----------------------------------|------------------------------------|--|
| Large Cap Equities | 22.50 % | 4.25% |
| Small/Mid Cap Equities | 7.50 | 4.50% |
| Total domestic equities | 30.00 | |
| Int'l Equities (unhedged) | 13.00 | 4.50% |
| Emerging Int'l Equities | 7.00 | 6.00% |
| Total international equities | 20.00 | |
| Core Bonds | 9.00 | 1.12% |
| Global Multi-Sector Fixed Income | 10.00 | 2.46% |
| Absolute Return Fixed Income | 6.00 | 1.50% |
| Total fixed income | 25.00 | |
| Private equity | 10.00 | 7.90% |
| Private debt | 5.00 | 4.86% |
| Total alternative investments | 15.00 | |
| Real estate | 10.00 | 3.00% |
| Total | 100.00 % | |

Discount Rate

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the plan

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

Sensitivity of the Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

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

| 1% Decrease <u>(6.25%)</u> | Current Discount Rate <u>(7.25%)</u> | 1% Increase <u>(8.25%)</u> |
|----------------------------------|---|----------------------------------|
| \$ 6,556,463 | \$ 4,896,386 | \$ 3,524,346 |

Pension Plan Fiduciary Net Position

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

20. Other Post-Employment Benefits (GASB 75)

GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

Town OPEB Plan

All the following OPEB disclosures for the Town OPEB Plan are based on a measurement date of June 30, 2019.

General Information about the OPEB Plan

Plan Description

The Town indirectly provides post-employment healthcare for retired employees through an implicit rate covered by current employees. Retirees of the Town who participate in this single-employer plan pay 100% of the healthcare premiums to participate in the Town's healthcare program. Since they are included in the same pool as active employees, the insurance rates are implicitly higher for current employees due to the age consideration. This increased rate is an implicit subsidy the Town pays for the retirees.

Benefits Provided

The Town provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

Plan Membership

At June 30, 2019, the following employees were covered by the benefit terms:

| | |
|--------------------------------------|-----------|
| Inactive employees or beneficiaries | |
| currently receiving benefit payments | 4 |
| Active employees | <u>35</u> |
| Total | <u>39</u> |

Funding Policy

The Town's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute.

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined by the alternative method valuation as of June 30, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|--|------------------------------------|
| Inflation | 2.5% |
| Salary increases | 5.6%, average, including inflation |
| Discount rate | 7.25% |
| Healthcare cost trend rates | 8% |
| Retirees' share of benefit-related costs | 100% |

Mortality rates were based on mortality tables at the National Center for Health Statistics. The 2014 United States Life Tables for Males and Females were used.

The actuarial assumptions used in the valuation were based on the results of an actuarial experience study of the New Hampshire Retirement System, which was for the period July 1, 2010 – June 30, 2015.

Discount Rate

The discount rate used to measure the total OPEB liability was 3.13%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

The discount rate was based on the municipal bond index at June 30, 2019.

Total OPEB Liability

The Town's total OPEB liability of \$515,081 was measured as of June 30, 2019, and was determined by the alternative method.

Changes in the Total OPEB Liability

The following summarizes the changes to the total OPEB liability for the past year:

| | Total OPEB <u>Liability</u> |
|---|--------------------------------|
| Balances, beginning of year | \$ 550,493 |
| Changes for the year: | |
| Service cost | 64,297 |
| Interest | 16,122 |
| Changes in assumptions or other inputs | (54,182) |
| Benefit payments | <u>(61,649)</u> |
| Net Changes | <u>(35,412)</u> |
| Balances, end of year | \$ <u><u>515,081</u></u> |

Changes of assumptions and other inputs reflect a change in the discount rate from 3.71% in 2018 to 3.13% in 2019.

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

| 1% <u>Decrease</u> | Current Discount <u>Rate</u> | 1% <u>Increase</u> |
|-----------------------|------------------------------------|-----------------------|
| \$ 574,639 | \$ 515,081 | \$ 471,216 |

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

| <u>1%</u> <u>Decrease</u> | Current Healthcare Cost Trend <u>Rates</u> | <u>1%</u> <u>Increase</u> |
|------------------------------|---|------------------------------|
| \$ 480,249 | \$ 515,081 | \$ 552,767 |

OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB

For the year ended December 31, 2019, the Town recognized an OPEB expense of \$67,035. At June 30, 2019, the Town did not have any deferred outflows and inflows of resources related to the total OPEB liability.

New Hampshire Retirement System Medical Subsidy Plan Description

General Information about the OPEB Plan

Plan Description

In addition to the OPEB plan discussed in Note 20 A – H, the Town participates in the New Hampshire Retirement System (NHRS) Medical Subsidy. The NHRS administers a cost-sharing, multiple-employer other post-employment benefit plan (OPEB Plan) for retiree health insurance subsidies. Benefit amounts and eligibility requirements are set by state law, and members are designated by type. The four membership types are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees and Group I State Employees. Collectively, they are referred to as the OPEB Plan.

Benefits Provided

The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS to the former employer or their insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving OPEB Plan benefits differ for Group I and Group II members. The monthly Medical Subsidy rates are:

| |
|---|
| 1 Person - \$375.56 |
| 2 Person - \$751.12 |
| 1 Person Medicare Supplement - \$236.84 |
| 2 person Medicare Supplement - \$473.68 |

Contributions

Pursuant to RSA 100-A:16, III, and the biennial actuarial valuation, funding for the Medical Subsidy payment is via the employer contributions rates set forth by NHRS. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the NHRS actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The Town contributed 0.66% of gross payroll for Group I employees, 1.66% of gross payroll for Group I teachers, and 4.14% and 4.17% of gross payroll for Group II fire and police department members, respectively. Employees are not required to contribute. The State Legislature has the authority to establish, amend, and discontinue the contribution requirements of the Medical Subsidy plan.

Actuarial Assumptions and Other Inputs

The Town's proportionate share of the NHRS Medical Subsidy as of June 30, 2019 is based upon an actuarial valuation performed as of June 30, 2018 (rolled forward to June 30, 2019) using a measurement date of June 30, 2019. The actuarial valuation used the following actuarial assumptions:

| | |
|---------------------------|-------|
| Price inflation | 2.50% |
| Wage inflation | 3.25% |
| Salary increases | 5.60% |
| Investment rate of return | 7.25% |
| Discount rate | 7.25% |

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 the last experience study.

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

Net OPEB Liability, Expense, and Deferred Outflows and Inflows

The Town's proportionate share of the net NHRS Medical Subsidy (net OPEB liability) as of the measurement date of June 30, 2019 was \$454,868, representing 0.10375373%.

For the year ended December 31, 2019, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$68,750. At December 31, 2019, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of <u>Resources</u> | Deferred (Inflows) of <u>Resources</u> |
|---|---|--|
| Contributions subsequent to the measurement date | \$ 22,218 | \$ - |
| Difference between expected and actual experience | | (791) |
| Changes in proportion | 842 | - |
| Net difference between projected and actual OPEB investment earnings | <u>-</u> | <u>(511)</u> |
| Total | \$ <u>23,060</u> | \$ <u>(1,302)</u> |

The amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in 2019.

Other amounts reported as deferred outflows and (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

| | |
|-------|-----------------|
| 2020 | (288) |
| 2021 | (339) |
| 2022 | 35 |
| 2023 | <u>132</u> |
| Total | \$ <u>(460)</u> |

Sensitivity of the Net NHRS Medical Subsidy OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

| <u>1% Decrease</u> | Current Discount <u>Rate</u> | <u>1% Increase</u> |
|------------------------|------------------------------------|------------------------|
| \$ 493,373 | \$ 454,868 | \$ 421,409 |

Consolidation of Net OPEB Liabilities and Related Deferred Outflows and (Inflows)

The following consolidates the Town's total OPEB liability and related deferred outflows/inflows, and the Town's proportionate share of the NHRS Medical Subsidy net OPEB liability and related deferred outflows/inflows at December 31, 2019:

| | Net OPEB <u>Liability</u> | Total Deferred Outflows <u>of Resources</u> | Total Deferred Inflows <u>of Resources</u> | Total OPEB <u>Expense</u> |
|---|---------------------------------|--|---|---------------------------------|
| Town OPEB Plan | \$ 515,081 | \$ - | \$ - | \$ 67,035 |
| Proportionate share of NHRS Medical Subsidy Plan | <u>454,868</u> | <u>23,060</u> | <u>(1,302)</u> | <u>68,750</u> |
| Total | \$ <u>969,949</u> | \$ <u>23,060</u> | \$ <u>(1,302)</u> | \$ <u>135,785</u> |

21. Commitments and Contingencies

Grants

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

Encumbrances

At year-end, the Town's general fund has \$158,479 in encumbrances that will be honored in the next fiscal year.

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the Town, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

22. Beginning Fund Balance/Net Position Restatement

The beginning (January 1, 2019) fund balance/net position of the Town has been restated as follows:

Government-Wide Financial Statements:

| | Business-Type Activities |
|-------------------------------|-----------------------------|
| | <u>Water Fund</u> |
| As previously reported | \$ 8,316,053 |
| Restatement of debt liability | <u>602,892</u> |
| As restated | <u><u>\$ 8,918,945</u></u> |

Fund Basis Financial Statements

| | Permanent <u>Trust Fund</u> | Nonmajor <u>Funds</u> |
|------------------------|--------------------------------|----------------------------|
| As previously reported | \$ - | \$ 2,922,586 |
| Change in major funds | <u>1,826,309</u> | <u>(1,826,309)</u> |
| As restated | <u><u>\$ 1,826,309</u></u> | <u><u>\$ 1,096,277</u></u> |

23. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the Town beginning with its fiscal year ending December 31, 2020. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported, and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending December 31, 2021. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

TOWN OF JAFFREY, NEW HAMPSHIRE

Required Supplementary Information
Schedule of Proportionate Share (GASB 68) of the Net Pension Liability
December 31, 2019
(Unaudited)

| New Hampshire Retirement System | | | | | | |
|---------------------------------|-------------------------|--|---|------------------------|--|--|
| <u>Fiscal Year</u> | <u>Measurement Date</u> | <u>Proportion of the Net Pension Liability</u> | <u>Proportionate Share of the Net Pension Liability</u> | <u>Covered Payroll</u> | <u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u> | <u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u> |
| December 31, 2019 | June 30, 2019 | 0.1018% | \$4,896,386 | \$ 2,875,856 | 170.26% | 65.59% |
| December 31, 2018 | June 30, 2018 | 0.1010% | \$4,862,690 | \$ 2,779,378 | 174.96% | 64.73% |
| December 31, 2017 | June 30, 2017 | 0.1037% | \$5,101,931 | \$ 2,767,383 | 184.36% | 62.70% |
| December 31, 2016 | June 30, 2016 | 0.1074% | \$5,710,698 | \$ 2,793,907 | 204.40% | 58.30% |
| December 31, 2015 | June 30, 2015 | 0.1036% | \$4,102,455 | \$ 1,212,471 | 338.35% | 65.47% |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

TOWN OF JAFFREY, NEW HAMPSHIRE

Required Supplementary Information
Schedule of Pension Contributions (GASB 68)
December 31, 2019
(Unaudited)

| New Hampshire Retirement System | | | | | | |
|---------------------------------|---------------------|---|---|--|--------------------|--|
| Fiscal Year | Measurement Date | Contributions in Relation to the | | | Covered Payroll | Contributions as a Percentage of Covered Payroll |
| | | Contractually Required Contribution | Contractually Required Contribution | Contribution Deficiency (Excess) | | |
| December 31, 2019 | June 30, 2019 | \$ 442,845 | \$ 442,845 | \$ - | \$ 2,875,856 | 15.40% |
| December 31, 2018 | June 30, 2018 | \$ 426,826 | \$ 426,826 | \$ - | \$ 2,779,378 | 15.36% |
| December 31, 2017 | June 30, 2017 | \$ 380,045 | \$ 380,045 | \$ - | \$ 2,767,383 | 13.73% |
| December 31, 2016 | June 30, 2016 | \$ 384,550 | \$ 384,550 | \$ - | \$ 2,793,907 | 13.76% |
| December 31, 2015 | June 30, 2015 | \$ 364,277 | \$ 364,277 | \$ - | \$ 1,212,471 | 30.04% |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

TOWN OF JAFFREY, NEW HAMPSHIRE

Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability (GASB 75)
December 31, 2019
(Unaudited)

New Hampshire Retirement System Medical Subsidy

| <u>Fiscal Year</u> | <u>Measurement Date</u> | <u>Proportion of the Net OPEB Liability</u> | <u>Proportionate Share of the Net OPEB Liability</u> | <u>Covered Payroll</u> | <u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u> | <u>Plan Fiduciary Net Position Percentage of the Net OPEB Liability</u> |
|------------------------|-----------------------------|---|--|----------------------------|---|---|
| December 31, 2019 | June 30, 2019 | 0.10375% | \$454,868 | \$ 2,931,049 | 15.52% | 7.75% |
| December 31, 2018 | June 30, 2018 | 0.10202% | \$467,110 | \$ 2,807,925 | 16.64% | 7.53% |

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See Independent Auditors' Report.

TOWN OF JAFFREY, NEW HAMPSHIRE

Required Supplementary Information
Other Post-Employment Benefits (OPEB)
Schedule of Changes in the Total OPEB Liability

(Unaudited)

| | <u>2019</u> | <u>2018</u> |
|---|-------------------|-------------------|
| Total OPEB Liability | | |
| Service cost | \$ 64,297 | \$ 74,665 |
| Interest on unfunded liability - time value of \$ | 16,122 | 20,423 |
| Changes of assumptions | (54,182) | (63,576) |
| Benefit payments, including refunds of member contributions | <u>(61,649)</u> | <u>(70,310)</u> |
| Net change in total OPEB liability | (35,412) | (38,798) |
| Total OPEB liability - beginning | <u>550,493</u> | <u>589,291</u> |
| Total OPEB liability - ending | <u>\$ 515,081</u> | <u>\$ 550,493</u> |

Does not include New Hampshire Retirement System Medical Subsidy.

Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

See notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.