



TOWN OF EXETER, NEW HAMPSHIRE

Financial Statements and Required Supplementary Information
For the Year Ended December 31, 2019
(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Select Board
Town of Exeter, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Exeter, New Hampshire (the Town), 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Town's preparation and fair presentation of the financial statements in order to design audit

Nashua, New Hampshire
Manchester, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
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procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Exeter, 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 fund 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 OPEB and Pension 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 13, 2020 on our consideration of the Town's internal control over financial reporting and



on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Melanson

Nashua, New Hampshire
October 13, 2020



MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Exeter, 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.

A. 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, deferred outflows of resources, liabilities, and deferred 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 fiscal 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 fiscal 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, public works, health and human services, welfare, culture and recreation, sanitation, conservation, and interest on long-term debt. The business-type activities include water and sewer services.

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 fiscal year. Such information may be useful in evaluating the Town'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 Town's near-term financing decisions. Both the governmental funds balance sheet and the governmental funds 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, financial position, and cash flows.

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 water and sewer services, which are considered to be major funds.

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.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$24,583,529 (i.e., net position), an increase of \$3,818,450 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$7,368,346 a decrease of \$(3,083,717) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$3,289,766, a decrease of \$(333,065) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years:

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current and other assets	\$ 30,202,482	\$ 28,671,183	\$ 10,367,568	\$ 9,825,253	\$ 40,570,050	\$ 38,496,436
Capital assets	28,654,294	25,452,212	74,368,594	62,574,263	103,022,888	88,026,475
Total assets	58,856,776	54,123,395	84,736,162	72,399,516	143,592,938	126,522,911
Deferred outflows of resources	1,481,466	2,169,792	155,680	232,157	1,637,146	2,401,949
Other liabilities	21,123,710	16,940,649	53,916,839	42,816,293	75,040,549	59,756,942
Long term liabilities	29,006,290	31,042,084	14,692,261	15,873,951	43,698,551	46,916,035
Total liabilities	50,130,000	47,982,733	68,609,100	58,690,244	118,739,100	106,672,977
Deferred inflows of resources	1,657,353	1,350,781	250,102	136,023	1,907,455	1,486,804
Net investment in capital assets	20,124,392	19,133,802	12,547,311	11,790,436	32,671,703	30,924,238
Restricted	2,982,225	2,653,288	-	-	2,982,225	2,653,288
Unrestricted	(14,555,728)	(14,827,417)	3,485,329	2,014,970	(11,070,399)	(12,812,447)
Total net position	\$ 8,550,889	\$ 6,959,673	\$ 16,032,640	\$ 13,805,406	\$ 24,583,529	\$ 20,765,079

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 \$24,583,529, an increase of \$3,818,450 in comparison to the prior year.

The largest portion of net position, \$32,671,703, 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, \$2,982,225, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(11,070,399) which primarily results from the Town's unfunded net pension and net OPEB liabilities.

	CHANGE IN NET POSITION					
	Governmental		Business-Type		Total	
	<u>Activities</u>		<u>Activities</u>			
	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>	<u>2019</u>	<u>2018</u>
Revenues						
Program revenues:						
Charges for services	\$ 3,617,112	\$ 3,130,732	\$ 8,134,380	\$ 7,375,527	\$ 11,751,492	\$ 10,506,259
Operating grants and contributions	179,378	320,882	-	-	179,378	320,882
Capital grants and contributions	26,966	479,310	82,041	25,521	109,007	504,831
General revenues:						
Property taxes	13,125,463	12,943,002	-	-	13,125,463	12,943,002
Motor vehicle registrations	3,091,272	3,025,683	-	-	3,091,272	3,025,683
Penalties, interest, and other taxes	257,018	530,304	-	-	257,018	530,304
Grants and contributions not restricted to specific programs	1,290,080	1,100,713	-	-	1,290,080	1,100,713
Investment income	202,786	9,171	6,366	2,439	209,152	11,610
Miscellaneous	219,437	172,355	-	-	219,437	172,355
Total revenues	22,009,512	21,712,152	8,222,787	7,403,487	30,232,299	29,115,639
Expenses						
General government	3,771,052	3,856,907	-	-	3,771,052	3,856,907
Public safety	8,345,091	8,332,649	-	-	8,345,091	8,332,649
Public works	3,553,570	3,212,077	-	-	3,553,570	3,212,077
Health and human services	133,359	129,119	-	-	133,359	129,119
Welfare	180,710	187,419	-	-	180,710	187,419
Culture and recreation	2,492,042	2,419,811	-	-	2,492,042	2,419,811
Sanitation	1,279,588	1,199,037	-	-	1,279,588	1,199,037
Conservation	152,992	181,715	-	-	152,992	181,715
Interest on long-term debt	410,938	325,521	-	-	410,938	325,521
Water services	-	-	2,970,194	2,835,995	2,970,194	2,835,995
Sewer services	-	-	3,124,313	2,455,298	3,124,313	2,455,298
Total expenses	20,319,342	19,844,255	6,094,507	5,291,293	26,413,849	25,135,548
Change in net position before transfers	1,690,170	1,867,897	2,128,280	2,112,194	3,818,450	3,980,091
Transfers in (out)	(98,954)	(192,690)	98,954	192,690	-	-
Change in net position	1,591,216	1,675,207	2,227,234	2,304,884	3,818,450	3,980,091
Net position - beginning of year	6,959,673	5,284,466	13,805,406	11,500,522	20,765,079	16,784,988
Net position - end of year	\$ 8,550,889	\$ 6,959,673	\$ 16,032,640	\$ 13,805,406	\$ 24,583,529	\$ 20,765,079

Governmental activities. Governmental activities for the year resulted in a change in net position of \$1,591,216. Key elements of this change are as follows:

Increase in net pension liability, net of deferred outflows/inflows	\$ (340,264)
Decrease in net OPEB liability, net of deferred outflows/inflows	81,678
Capital assets acquired with current year revenues	754,108
Epping Road TIF revenues exceeding expenses	250,436
Principal debt service in excess of depreciation expense	657,732
Other	<u>187,526</u>
Total	<u><u>\$ 1,591,216</u></u>

Business-type activities. Business-type activities for the year resulted in a change in net position of \$2,227,234. Key elements of this change are as follows:

Water services	\$ 806,296
Sewer services	<u>1,420,938</u>
Total	<u><u>\$ 2,227,234</u></u>

The primary factor for the positive change in net position was the result of a water/sewer rate study, which was effective for January 1, 2018, and is now in phase 3 as of December 31, 2019. The Town implemented increased water/sewer rates to ensure rates are at a level to cover current and future operating and capital expenses.

D. FINANCIAL ANALYSIS OF THE TOWN'S 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 fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$7,368,346, a decrease of \$(3,083,717) in comparison to the prior year. Key elements of this change are as follows:

General fund operations, net of lease activity	\$ (177,066)
Capital project fund excess expenses and transfers out over revenues, bond proceeds, and transfers in	(3,032,890)
Nonmajor fund activities	227,764
Other	<u>(101,525)</u>
Total	<u>\$ (3,083,717)</u>

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was \$3,289,766, while total fund balance was \$4,121,614. 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>	<u>% of Total General Fund Appropriations</u>
Unassigned fund balance	\$ 3,289,766	\$ 3,622,831	\$ (333,065)	4.75%
Total fund balance	4,121,614	4,344,365	(222,751)	5.95%

The Town's fund balance policy requires a minimum level of unassigned fund balance in the general fund between 5-17% of total appropriations.

The total fund balance of the general fund decreased by \$(222,751) during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (1,070,343)
Revenues and transfers in greater than budget	349,937
Expenditures less than budget	337,903
Change in capital reserves	161,628
Other	<u>(1,876)</u>
Total	<u>\$ (222,751)</u>

Included in the total general fund balance are the capital reserve accounts with the following balances:

	<u>12/31/19</u>	<u>12/31/18</u>	<u>Change</u>
Capital reserves	\$ 438,124	\$ 276,496	\$ 161,628

A detailed breakdown of capital reserves can be found in Note 18.

Proprietary funds. Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$3,485,329, an increase of \$1,470,359 over the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

E. GENERAL FUND BUDGETARY HIGHLIGHTS

There were no differences, other than reclassifications, between the original budget and the final amended budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$103,022,888 (net of accumulated depreciation), an increase of \$14,996,413 from the prior year. This investment in capital assets includes land, buildings, improvements, machinery and equipment, and infrastructure.

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

- Bridge, dam, and culvert replacements
- Water and sewer infrastructure enhancements
- Design and construction costs for new Wastewater Treatment Plant
- Construction costs for Epping Road Tax Increment Financing Project
- Construction costs for Library building expansion
- Acquisition of police vehicles, ambulance, and a dump truck

Additional information on capital assets can be found in Note 9.

Credit Rating. The Town's bond rating from Moody's of "A1" was maintained during calendar year 2019.

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$21,249,569, all of which was backed by the full faith and credit of the government.

Additional information on long-term debt can be found in Note 16.

REQUESTS FOR INFORMATION

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

Town Manager
Town of Exeter, New Hampshire
10 Front Street
Exeter, New Hampshire 03833

TOWN OF EXETER, NEW HAMPSHIRE

STATEMENT OF NET POSITION

DECEMBER 31, 2019

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 27,411,701	\$ 7,806,784	\$ 35,218,485
Investments	454,591	-	454,591
Receivables, net of allowance for uncollectibles:			
Property taxes	1,103,049	-	1,103,049
User fees	-	1,263,383	1,263,383
Departmental	629,157	-	629,157
Intergovernmental	-	1,297,401	1,297,401
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	603,984	-	603,984
Capital assets:			
Capital assets, net of accumulated depreciation	15,677,418	73,933,581	89,610,999
Capital assets, nondepreciable	12,976,876	435,013	13,411,889
Deferred Outflows of Resources			
Related to pensions	1,412,859	139,733	1,552,592
Related to OPEB	<u>68,607</u>	<u>15,947</u>	<u>84,554</u>
Total Assets and Deferred Outflows of Resources	60,338,242	84,891,842	145,230,084
Liabilities			
Current:			
Accounts payable	1,021,883	1,352,344	2,374,227
Retainage payable	185,306	2,102,451	2,287,757
Accrued liabilities	431,759	108,109	539,868
Due to other governments	16,984,762	-	16,984,762
Notes payable	2,500,000	50,353,935	52,853,935
Current portion of long-term liabilities:			
Bonds payable	1,155,001	1,330,617	2,485,618
Compensated absences	25,525	1,651	27,176
Capital leases	385,402	27,580	412,982
Noncurrent:			
Bonds payable, net of current portion	7,686,854	11,077,097	18,763,951
Net pension liability	16,069,035	1,589,245	17,658,280
Net OPEB liability	2,596,023	547,444	3,143,467
Compensated absences, net of current portion	484,983	31,374	516,357
Capital leases, net of current portion	603,467	87,253	690,720
Deferred Inflows of Resources			
Related to pensions	958,932	94,839	1,053,771
Related to OPEB	667,976	155,263	823,239
Other	<u>30,445</u>	<u>-</u>	<u>30,445</u>
Total Liabilities and Deferred Inflows of Resources	51,787,353	68,859,202	120,646,555
Net Position			
Net investment in capital assets	20,124,392	12,547,311	32,671,703
Restricted for:			
Grants and other statutory restrictions	2,634,616	-	2,634,616
Permanent funds:			
Nonexpendable	53,454	-	53,454
Expendable	294,155	-	294,155
Unrestricted	<u>(14,555,728)</u>	<u>3,485,329</u>	<u>(11,070,399)</u>
Total Net Position	<u>\$ 8,550,889</u>	<u>\$ 16,032,640</u>	<u>\$ 24,583,529</u>

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

TOWN OF EXETER, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net(Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities							
General government	\$ 3,771,052	\$ 540,903	\$ 3,500	\$ -	\$ (3,226,649)	\$ -	\$ (3,226,649)
Public safety	8,345,091	1,519,047	9,168	-	(6,816,876)	-	(6,816,876)
Public works	3,553,570	818,154	-	26,966	(2,708,450)	-	(2,708,450)
Health and human services	133,359	-	500	-	(132,859)	-	(132,859)
Welfare	180,710	-	-	-	(180,710)	-	(180,710)
Culture and recreation	2,492,042	713,434	164,212	-	(1,614,396)	-	(1,614,396)
Sanitation	1,279,588	25,574	1,998	-	(1,252,016)	-	(1,252,016)
Conservation	152,992	-	-	-	(152,992)	-	(152,992)
Interest on long-term debt	410,938	-	-	-	(410,938)	-	(410,938)
Total Governmental Activities	20,319,342	3,617,112	179,378	26,966	(16,495,886)	-	(16,495,886)
Business-Type Activities							
Water services	2,970,194	3,668,707	-	-	-	698,513	698,513
Sewer services	3,124,313	4,465,673	-	82,041	-	1,423,401	1,423,401
Total Business-Type Activities	6,094,507	8,134,380	-	82,041	-	2,121,914	2,121,914
Total	\$ 26,413,849	\$ 11,751,492	\$ 179,378	\$ 109,007	(16,495,886)	2,121,914	(14,373,972)
General Revenues and Transfers							
Property taxes					13,125,463	-	13,125,463
Motor vehicle registrations					3,091,272	-	3,091,272
Penalties, interest, and other taxes					257,018	-	257,018
Grants and contributions not restricted to specific programs					1,290,080	-	1,290,080
Investment income					202,786	6,366	209,152
Miscellaneous					219,437	-	219,437
Transfers, net					(98,954)	98,954	-
Total general revenues and transfers					18,087,102	105,320	18,192,422
Change in Net Position					1,591,216	2,227,234	3,818,450
Net Position							
Beginning of year					6,959,673	13,805,406	20,765,079
End of year					\$ 8,550,889	\$ 16,032,640	\$ 24,583,529

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

TOWN OF EXETER, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2019

	General Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and short-term investments	\$ 21,960,634	\$ 3,111,381	\$ 2,339,686	\$ 27,411,701
Investments	-	-	454,591	454,591
Receivables:				
Property taxes	1,896,735	-	-	1,896,735
Departmental	<u>211,748</u>	<u>-</u>	<u>417,409</u>	<u>629,157</u>
Total Assets	<u>\$ 24,069,117</u>	<u>\$ 3,111,381</u>	<u>\$ 3,211,686</u>	<u>\$ 30,392,184</u>
Liabilities				
Accounts payable	\$ 1,011,680	\$ 4,555	\$ 5,648	\$ 1,021,883
Retainage payable	-	185,306	-	185,306
Accrued liabilities	311,217	-	-	311,217
Notes payable	-	2,500,000	-	2,500,000
Due to other governments	16,984,762	-	-	16,984,762
Other liabilities	<u>65,137</u>	<u>-</u>	<u>-</u>	<u>65,137</u>
Total Liabilities	18,372,796	2,689,861	5,648	21,068,305
Deferred Inflows of Resources				
Unavailable revenues	1,544,262	-	380,826	1,925,088
Taxes collected in advance	30,445	-	-	30,445
Fund Balances				
Nonspendable	164,170	-	53,454	217,624
Restricted	-	850,901	2,928,771	3,779,672
Committed	438,124	-	-	438,124
Assigned	229,554	-	-	229,554
Unassigned	<u>3,289,766</u>	<u>(429,381)</u>	<u>(157,013)</u>	<u>2,703,372</u>
Total Fund Balance	<u>4,121,614</u>	<u>421,520</u>	<u>2,825,212</u>	<u>7,368,346</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 24,069,117</u>	<u>\$ 3,111,381</u>	<u>\$ 3,211,686</u>	<u>\$ 30,392,184</u>

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

TOWN OF EXETER, 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	\$ 7,368,346
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	28,654,294
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,735,386
Deferred outflows of resources to be recognized as an increase to pension and OPEB expense in future periods:	
Related to pensions	1,412,859
Related to OPEB	68,607
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(55,405)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds:	
Bonds payable	(8,841,855)
Net pension liability	(16,069,035)
Net OPEB liability	(2,596,023)
Capital leases	(988,869)
Compensated absences	(510,508)
Deferred inflows of resources to be recognized as a decrease to pension and OPEB expense in future periods:	
Related to pensions	(958,932)
Related to OPEB	(667,976)
Net position of governmental activities	<u>\$ 8,550,889</u>

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

TOWN OF EXETER, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General</u> <u>Fund</u>	<u>Capital</u> <u>Project</u> <u>Fund</u>	<u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u> <u>Governmental</u> <u>Funds</u>
Revenues				
Property taxes	\$ 11,816,968	\$ -	\$ 920,542	\$ 12,737,510
Motor vehicle registrations	3,091,272	-	-	3,091,272
Penalties, interest, and other taxes	255,518	-	-	255,518
Charges for services	1,151,481	-	1,761,697	2,913,178
Intergovernmental	1,295,675	21,371	12,668	1,329,714
Licenses and permits	629,733	-	-	629,733
Investment income	139,336	-	63,450	202,786
Contributions	3,546	-	163,164	166,710
Miscellaneous	<u>192,175</u>	<u>27,262</u>	<u>-</u>	<u>219,437</u>
Total Revenues	18,575,704	48,633	2,921,521	21,545,858
Expenditures				
Current:				
General government	3,392,179	-	309,448	3,701,627
Public safety	7,613,912	-	509,098	8,123,010
Public works	3,048,784	-	111,619	3,160,403
Health and human services	132,263	-	-	132,263
Welfare	180,540	-	-	180,540
Culture and recreation	1,466,176	-	1,014,951	2,481,127
Sanitation	1,279,588	-	-	1,279,588
Conservation	148,485	-	-	148,485
Debt service	1,303,029	-	748,641	2,051,670
Capital outlay	<u>417,136</u>	<u>3,336,832</u>	<u>-</u>	<u>3,753,968</u>
Total Expenditures	<u>18,982,092</u>	<u>3,336,832</u>	<u>2,693,757</u>	<u>25,012,681</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(406,388)	(3,288,199)	227,764	(3,466,823)
Other Financing Sources (Uses)				
Capital lease proceeds	229,322	-	-	229,322
Bond proceeds	-	252,738	-	252,738
Transfers in	584,819	263,887	267,663	1,116,369
Transfers out	<u>(630,504)</u>	<u>(261,316)</u>	<u>(323,503)</u>	<u>(1,215,323)</u>
Total Other Financing Sources (Uses)	<u>183,637</u>	<u>255,309</u>	<u>(55,840)</u>	<u>383,106</u>
Change in Fund Balance	(222,751)	(3,032,890)	171,924	(3,083,717)
Fund Balance at Beginning of Year	<u>4,344,365</u>	<u>3,454,410</u>	<u>2,653,288</u>	<u>10,452,063</u>
Fund Balance at End of Year	<u>\$ 4,121,614</u>	<u>\$ 421,520</u>	<u>\$ 2,825,212</u>	<u>\$ 7,368,346</u>

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

TOWN OF EXETER, 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 changes in fund balances - Total governmental funds \$ (3,083,717)

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:

Capital outlay	4,090,937
Depreciation	(888,855)

Revenues 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 (e.g., property taxes) differ between the two statements. This amount represents the net change in unavailable revenue.

463,654

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:

Repayments of bonds	1,091,128
Repayments of capital leases	455,459
Issuance of bonds	(252,738)
Issuance of capital leases	(229,322)

In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.

3,730

Some expenses reported in the Statement of Activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:

Change in net pension liability, net of related deferred outflows and inflows of resources	(340,264)
Change in net OPEB liability, net of related deferred outflows and inflows of resources	81,678
Change in compensated absences	109,111
Bond premium amortization	90,415

Change in net position of governmental activities \$ 1,591,216

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

TOWN OF EXETER, NEW HAMPSHIRE

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES, AND
OTHER FINANCING SOURCES/USES - BUDGET AND ACTUAL

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts (Budgetary Basis)</u>	<u>Variance with Final Budget Positive (Negative)</u>
Revenues				
Property taxes	\$ 11,855,776	\$ 11,991,776	\$ 11,991,776	\$ -
Interest, penalties, and other taxes	211,204	211,204	255,518	44,314
Charges for services	1,000,000	1,000,000	1,151,481	151,481
Intergovernmental	1,274,173	1,274,173	1,295,675	21,502
Licenses and permits	3,660,000	3,660,000	3,721,005	61,005
Investment income	100,000	100,000	133,389	33,389
Miscellaneous	<u>159,632</u>	<u>159,632</u>	<u>192,175</u>	<u>32,543</u>
Total Revenues	18,260,785	18,396,785	18,741,019	344,234
Expenditures				
Current:				
General government	3,442,402	3,442,401	3,452,211	(9,810)
Public safety	7,791,753	7,791,753	7,423,359	368,394
Public works	2,988,261	2,988,261	3,105,629	(117,368)
Health and human services	134,459	134,459	132,263	2,196
Welfare	174,796	174,796	180,540	(5,744)
Culture and recreation	1,606,248	1,606,249	1,623,723	(17,474)
Sanitation	1,252,517	1,252,517	1,279,588	(27,071)
Conservation	154,918	154,918	148,485	6,433
Capital outlay	586,667	586,667	459,877	126,790
Debt service:				
Principal	776,128	776,128	776,128	-
Interest	<u>725,416</u>	<u>725,416</u>	<u>713,859</u>	<u>11,557</u>
Total Expenditures	<u>19,633,565</u>	<u>19,633,565</u>	<u>19,295,662</u>	<u>337,903</u>
Excess (deficiency) of revenues over expenditures	(1,372,780)	(1,236,780)	(554,643)	682,137
Other Financing Sources/(Uses)				
Transfers in	500,437	500,437	506,140	5,703
Transfers out	(198,000)	(334,000)	(334,000)	-
Use of fund balance:				
For operating budget	708,525	708,525	-	(708,525)
For capital projects	187,818	187,818	-	(187,818)
For capital reserve funding	<u>174,000</u>	<u>174,000</u>	<u>174,000</u>	<u>-</u>
Total Other Financing Sources/(Uses)	<u>1,372,780</u>	<u>1,236,780</u>	<u>346,140</u>	<u>(890,640)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (208,503)</u>	<u>\$ (208,503)</u>

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

TOWN OF EXETER, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF NET POSITION

DECEMBER 31, 2019

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Assets			
Current:			
Cash and short-term investments	\$ 1,450,644	\$ 6,356,140	\$ 7,806,784
User fees, net of allowance for uncollectibles	373,202	890,181	1,263,383
Intergovernmental receivable	-	1,297,401	1,297,401
Total current assets	1,823,846	8,543,722	10,367,568
Noncurrent:			
Land and construction in progress	372,576	62,437	435,013
Capital assets, net of accumulated depreciation	17,065,966	56,867,615	73,933,581
Total noncurrent assets	17,438,542	56,930,052	74,368,594
Deferred Outflows of Resources			
Related to pensions	77,630	62,103	139,733
Related to OPEB	8,269	7,678	15,947
Total Assets and Deferred Outflows of Resources	19,348,287	65,543,555	84,891,842
Liabilities			
Current:			
Accounts payable	50,648	1,301,696	1,352,344
Retainage payable	30,183	2,072,268	2,102,451
Accrued liabilities	72,284	35,825	108,109
Notes payable	1,124,074	49,229,861	50,353,935
Current portion of long-term liabilities:			
Bonds payable	917,612	413,005	1,330,617
Compensated absences	1,084	567	1,651
Capital leases	13,790	13,790	27,580
Total current liabilities	2,209,675	53,067,012	55,276,687
Noncurrent:			
Bonds payable, net of current portion	8,401,907	2,675,190	11,077,097
Net pension liability	882,914	706,331	1,589,245
Net OPEB liability	299,607	247,837	547,444
Compensated absences, net of current portion	20,599	10,775	31,374
Capital leases, net of current portion	43,626	43,627	87,253
Total noncurrent liabilities	9,648,653	3,683,760	13,332,413
Deferred Inflows of Resources			
Related to pensions	52,688	42,151	94,839
Related to OPEB	80,513	74,750	155,263
Total Liabilities and Deferred Inflows of Resources	11,991,529	56,867,673	68,859,202
Net Position			
Net investment of capital assets	7,344,011	5,203,300	12,547,311
Unrestricted	12,747	3,472,582	3,485,329
Total Net Position	\$ 7,356,758	\$ 8,675,882	\$ 16,032,640

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

TOWN OF EXETER, NEW HAMPSHIRE

PROPRIETARY FUNDS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Operating Revenues			
Charges for services	\$ 3,637,102	\$ 4,451,842	\$ 8,088,944
Other	<u>31,605</u>	<u>13,831</u>	<u>45,436</u>
Total Operating Revenues	3,668,707	4,465,673	8,134,380
Operating Expenses			
Salaries and benefits	1,185,177	1,135,312	2,320,489
Other operating expenses	961,072	1,033,200	1,994,272
Depreciation	<u>514,806</u>	<u>727,237</u>	<u>1,242,043</u>
Total Operating Expenses	<u>2,661,055</u>	<u>2,895,749</u>	<u>5,556,804</u>
Operating Income	1,007,652	1,569,924	2,577,576
Nonoperating Revenues (Expenses)			
Investment income	117	6,249	6,366
Interest expense	<u>(309,139)</u>	<u>(228,564)</u>	<u>(537,703)</u>
Total Nonoperating (Expenses)	<u>(309,022)</u>	<u>(222,315)</u>	<u>(531,337)</u>
Income Before Transfers and Capital Contributions	698,630	1,347,609	2,046,239
Transfers and Capital Contributions			
Capital contributions	-	82,041	82,041
Transfers in	171,232	15,726	186,958
Transfers out	<u>(63,566)</u>	<u>(24,438)</u>	<u>(88,004)</u>
Change in Net Position	806,296	1,420,938	2,227,234
Net Position at Beginning of Year	<u>6,550,462</u>	<u>7,254,944</u>	<u>13,805,406</u>
Net Position at End of Year	<u>\$ 7,356,758</u>	<u>\$ 8,675,882</u>	<u>\$ 16,032,640</u>

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

TOWN OF EXETER, NEW HAMPSHIRE
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2019

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 3,751,506	\$ 3,986,001	\$ 7,737,507
Payments to vendors and employees	<u>(2,239,848)</u>	<u>(2,790,619)</u>	<u>(5,030,467)</u>
Net Cash Provided By Operating Activities	1,511,658	1,195,382	2,707,040
Cash Flows From Noncapital Financing Activities			
Transfer in	171,232	15,726	186,958
Transfer out	<u>(63,566)</u>	<u>(24,438)</u>	<u>(88,004)</u>
Net Cash Provided By (Used For) Noncapital Financing Activities	107,666	(8,712)	98,954
Cash Flows From Capital and Related Financing Activities			
Proceeds from issuance of bonds	135,692	131,169	266,861
Proceeds from issuance of leases	72,745	72,745	145,490
Proceeds from issuance of state revolving loans	628,514	11,499,114	12,127,628
Acquisition and construction of capital assets	(960,270)	(12,076,104)	(13,036,374)
Principal payments on bonds	(991,416)	(438,648)	(1,430,064)
Principal payments on leases	(30,676)	(30,675)	(61,351)
Principal payments on state revolving loans	-	(206,881)	(206,881)
Interest expense	(4,710)	(237,926)	(242,636)
Intergovernmental revenue	<u>-</u>	<u>743,130</u>	<u>743,130</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(1,150,121)</u>	<u>(544,076)</u>	<u>(1,694,197)</u>
Cash Flows From Investing Activities			
Investment income	<u>117</u>	<u>6,249</u>	<u>6,366</u>
Net Cash Provided By Investing Activities	<u>117</u>	<u>6,249</u>	<u>6,366</u>
Net Change in Cash and Short-Term Investments	469,320	648,843	1,118,163
Cash and Short-Term Investments, Beginning of Year	<u>981,324</u>	<u>5,707,297</u>	<u>6,688,621</u>
Cash and Short-Term Investments, End of Year	<u>\$ 1,450,644</u>	<u>\$ 6,356,140</u>	<u>\$ 7,806,784</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 1,007,652	\$ 1,569,924	\$ 2,577,576
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	514,806	727,237	1,242,043
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees	82,799	(479,672)	(396,873)
Deferred outflows related to pensions	31,354	25,084	56,438
Deferred outflows related to OPEB	12,447	7,592	20,039
Warrants and retainage payable	(101,331)	(683,402)	(784,733)
Net pension liability	40	32	72
Net OPEB liability	(74,982)	(28,282)	(103,264)
Other liabilities	(18,391)	54	(18,337)
Deferred inflows related to pensions	(12,699)	(10,158)	(22,857)
Deferred inflows related to OPEB	<u>69,963</u>	<u>66,973</u>	<u>136,936</u>
Net Cash Provided By Operating Activities	<u>\$ 1,511,658</u>	<u>\$ 1,195,382</u>	<u>\$ 2,707,040</u>

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

TOWN OF EXETER, NEW HAMPSHIRE
FIDUCIARY FUNDS
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2019

	Private Purpose Trust Funds	Agency Fund
Assets		
Cash and short-term investments	\$ <u>6,679</u>	\$ <u>3,584,829</u>
Total Assets	6,679	3,584,829
Liabilities		
Due to other governments	-	2,561,087
Deposits held in custody	<u>-</u>	<u>1,023,742</u>
Total Liabilities	<u>-</u>	\$ <u><u>3,584,829</u></u>
Net Position		
Restricted for other purposes	\$ <u><u>6,679</u></u>	

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

TOWN OF EXETER, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>Private Purpose Trust Funds</u>
Additions	
Interest	\$ <u>63</u>
Total additions	63
Net position restricted for other purposes	
Beginning of year	<u>6,616</u>
End of year	\$ <u><u>6,679</u></u>

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

TOWN OF EXETER, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

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

B. 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 revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 for the government-wide

financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. *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*, as is the proprietary fund and fiduciary fund financial statements. 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.

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 fiscal period. Revenue from grants, entitlements, and donations is recognized when all eligibility requirements have been satisfied and they are measurable and available. All other revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, pension, and OPEB are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *general fund* is the Town'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 *capital project fund* accounts for the activity pertaining to various infrastructure construction/renovation projects.

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 funds:

- The *water fund* accounts for the operating activities and capital projects of the Town's water services.
- The *sewer fund* accounts for the operating activities and capital projects of the Town's sewer services.

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 permanent funds, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.
- The *agency fund* accounts 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.

D. 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 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.

E. 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 Library consist of equity mutual funds, corporate debt, and long-term certificates of deposit. Investments are carried at fair value except non-negotiable certificates of deposit which are reported at amortized cost.

F. 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 \$10,000 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 acquisition 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	30
Building improvements	20
Infrastructure	25
Vehicles	5-15
Office equipment	5
Computer equipment	5

G. 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.

H. 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.

I. 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 of resources and current liabilities/deferred inflows of resources. 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, net of related debt, 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.

J. 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 fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

The Town's budget is originally prepared by the Town Manager under the supervision of the Select Board. It is then reviewed by the Budget Recommendations Committee. The Select Board then finalizes the operating budget, which is subject to deliberative session under RSA 40:13.

The final version of the budget is then voted on by the general population at the ballot the second Tuesday in March of each year. Should the operating budget of the Town fail to pass, the Town operates under a default budget as described in RSA 40:13.

The approved budget is subsequently reported to the State of New Hampshire on the Report of Appropriations Actually Voted form in order to establish the current property tax rate.

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

B. 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.

C. 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>
Revenues/expenditures/transfers (GAAP Basis)	\$ 18,575,704	\$ 18,982,092	\$ 183,637
Remove effect of combining capital reserves and general fund	(9,493)	-	(152,135)
Adjust tax revenue to budgetary basis	174,808	-	-
To reverse expenditures of prior year carryforwards	-	(11,331)	-
Add end-of-year appropriation carryforwards to expenditures	-	229,554	-
Recognize use of fund balance as funding source for capital reserve funding	-	-	174,000
To reverse nonbudgeted transfers	-	360,342	338,508
To reverse nonbudgeted capital lease activity	-	(229,322)	(229,322)
Other	-	(35,673)	31,452
Budgetary Basis	<u>\$ 18,741,019</u>	<u>\$ 19,295,662</u>	<u>\$ 346,140</u>

D. Deficit Fund Equity

The following funds had deficits as of December 31, 2019:

<u>Capital Project Fund:</u>		
Stewart Park seawall	\$	(105,794) (B)
String Bridge		(41,392) (A)
TAP Sidewalk		(16,984) (A)
Library expansion		<u>(265,211) (A)</u>
Subtotal		(429,381)
<u>Nonmajor Governmental Funds:</u>		
Transportation Fund		(153,215) (A)
Bullet proof vests		(1,359) (A)
Distracted driving		(1,293) (A)
Pedestrian/Bike enforcement		(555) (A)
Sustained traffic enforcement patrols		(360) (A)
Internet Crimes Against Children		<u>(231) (A)</u>
Subtotal		<u>(157,013)</u>
Total	\$	<u><u>(586,394)</u></u>

(A) – The deficits in these funds will be eliminated through future departmental revenues and bond proceeds.

(B) – At the March 2019 Annual Town Meeting, the Town voted to fund the Great Bridge deficit. The Town is still developing a plan to address the other deficits.

E. Excess of Expenditures Over Appropriations

Expenditures exceeding appropriations during the current fiscal year were as follows: General government \$(9,810), public works \$(117,368), welfare \$(5,744), culture and recreation \$(17,474), and sanitation \$(27,071).

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, \$155,996 of the Town's bank balance of \$38,995,101 was exposed to custodial credit risk as uninsured and/or uncollateralized. The uncollateralized amount largely represents the cash portion of the Edward Jones investment portfolio, held by the Library Trustees.

4. Investments

The following is a summary of the Town's investments as of December 31, 2019:

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposit	\$ 59,942
Corporate bonds	16,188
Equity mutual funds	257,817
Fixed income mutual funds	<u>120,644</u>
Total investments	<u>\$ 454,591</u>

A. 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 is the actual rating as of year-end for each investment type of the Town.

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>				
		<u>Aa2</u>	<u>A2</u>	<u>A3</u>	<u>Baa2</u>	<u>Unrated</u>
Corporate bonds	\$ 16,188	\$ -	\$ -	\$ 16,188	\$ -	\$ -
Fixed income mutual funds	<u>120,644</u>	<u>14,049</u>	<u>43,161</u>	<u>-</u>	<u>23,815</u>	<u>39,619</u>
Total	<u>\$ 136,832</u>	<u>\$ 14,049</u>	<u>\$ 43,161</u>	<u>\$ 16,188</u>	<u>\$ 23,815</u>	<u>\$ 39,619</u>

B. 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 formal investment policies related to custodial credit risk.

As of December 31, 2019, \$16,188 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.

C. 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.

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

D. 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 formal investment policies 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 ’s investments to market interest rate fluctuations is as follows:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>			
		<u>Less Than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>Thereafter</u>
Corporate bonds	\$ 16,188	\$ -	\$ 16,188	\$ -	\$ -
Fixed income mutual funds	<u>120,644</u>	<u>-</u>	<u>39,619</u>	<u>66,976</u>	<u>14,049</u>
Total	<u>\$ 136,832</u>	<u>\$ -</u>	<u>\$ 55,807</u>	<u>\$ 66,976</u>	<u>\$ 14,049</u>

E. 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.

F. 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:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Corporate bonds	\$ 16,188	\$ -	\$ 16,188	-
Equity mutual funds	257,817	257,817	-	-
Fixed income mutual funds	<u>120,644</u>	120,644	-	-
Total	\$ <u>394,649</u>			

Equity and fixed income mutual funds classified in Level 1 are valued using prices quoted in active markets for those securities.

Corporate bonds 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

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied. 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 liened 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 at December 31, 2019 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 1,225,642	\$ (122,593)	\$ 1,103,049	\$ -
Tax liens	<u>671,093</u>	<u>(67,109)</u>	<u>-</u>	<u>603,984</u>
Total property taxes	<u>\$ 1,896,735</u>	<u>\$ (189,702)</u>	<u>\$ 1,103,049</u>	<u>\$ 603,984</u>

6. User Fee Receivables

Each year, the Town issues quarterly water/sewer bills. Bills include a base rate and consumption charge based on usage. Seasonal water bills are issued once a year. Receivables for user charges at December 31, 2019 consist of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Water	\$ 405,654	\$ (32,452)	\$ 373,202
Sewer	<u>961,253</u>	<u>(71,072)</u>	<u>890,181</u>
Total	<u>\$ 1,366,907</u>	<u>\$ (103,524)</u>	<u>\$ 1,263,383</u>

7. Intergovernmental Receivables

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

8. Interfund Transfers

The Town reports interfund transfers between various funds. The following is an analysis of interfund transfers made in 2019:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 584,819	\$ 630,504
Capital Project Fund	263,887	261,316
Nonmajor Governmental Funds:		
Library	202,304	-
EMS	-	220,857
Other special revenue funds	65,359	102,646
Enterprise Funds:		
Water	171,232	63,566
Sewer	15,726	24,438
Total	<u>\$ 1,303,327</u>	<u>\$ 1,303,327</u>

Of the \$630,504, \$263,887 was transferred to the capital project fund to fund various capital project deficit fund balances. The transfer from the capital project fund to the general fund represents the Town’s authorization to move excess bond proceeds from the Great Dam project to help offset the current year debt service payment. The \$202,304 transfer to the library from the general fund represents the Town’s annual appropriation. The \$220,857 transfer out of the EMS fund represents the annual transfer of 95% of the previous year’s EMS balance to the general fund. \$171,232 of the \$630,504 transfer from the general fund to the water fund represents the annual debt service payment for the water tank distribution system. Other transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use restricted revenues collected in the general fund to finance various programs and accounted for in other funds in accordance with budgetary authorizations.

9. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,998,150	\$ -	\$ -	\$ 3,998,150
Machinery, equipment, and furnishings	7,971,417	1,821,146	(499,431)	9,293,132
Infrastructure	<u>10,847,406</u>	<u>5,621,769</u>	<u>-</u>	<u>16,469,175</u>
Total capital assets, being depreciated	22,816,973	7,442,915	(499,431)	29,760,457
Less accumulated depreciation for:				
Buildings and improvements	(3,601,188)	(42,453)	-	(3,643,641)
Machinery, equipment, and furnishings	(4,984,303)	(613,488)	499,431	(5,098,360)
Infrastructure	<u>(5,108,124)</u>	<u>(232,914)</u>	<u>-</u>	<u>(5,341,038)</u>
Total accumulated depreciation	<u>(13,693,615)</u>	<u>(888,855)</u>	<u>499,431</u>	<u>(14,083,039)</u>
Total capital assets, being depreciated, net	9,123,358	6,554,060	-	15,677,418
Capital assets, not being depreciated:				
Land	11,745,352	-	-	11,745,352
Works of art	646,500	-	-	646,500
Construction in progress	<u>3,937,002</u>	<u>530,236</u>	<u>(3,882,214)</u>	<u>585,024</u>
Total capital assets, not being depreciated	<u>16,328,854</u>	<u>530,236</u>	<u>(3,882,214)</u>	<u>12,976,876</u>
Governmental activities capital assets, net	<u>\$ 25,452,212</u>	<u>\$ 7,084,296</u>	<u>\$ (3,882,214)</u>	<u>\$ 28,654,294</u>
	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 177,530	\$ -	\$ -	\$ 177,530
Machinery, equipment, and furnishings	2,624,432	9,239,005	-	11,863,437
Infrastructure	<u>51,820,163</u>	<u>37,353,183</u>	<u>-</u>	<u>89,173,346</u>
Total capital assets, being depreciated	54,622,125	46,592,188	-	101,214,313
Less accumulated depreciation for:				
Buildings and improvements	(167,584)	(3,811)	-	(171,395)
Machinery, equipment, and furnishings	(1,400,816)	(346,592)	-	(1,747,408)
Infrastructure	<u>(24,470,289)</u>	<u>(891,640)</u>	<u>-</u>	<u>(25,361,929)</u>
Total accumulated depreciation	<u>(26,038,689)</u>	<u>(1,242,043)</u>	<u>-</u>	<u>(27,280,732)</u>
Total capital assets, being depreciated, net	28,583,436	45,350,145	-	73,933,581
Capital assets, not being depreciated:				
Land	196,590	-	-	196,590
Construction in progress	<u>33,794,237</u>	<u>117,078</u>	<u>(33,672,892)</u>	<u>238,423</u>
Total capital assets, not being depreciated	<u>33,990,827</u>	<u>117,078</u>	<u>(33,672,892)</u>	<u>435,013</u>
Business-type activities capital assets, net	<u>\$ 62,574,263</u>	<u>\$ 45,467,223</u>	<u>\$ (33,672,892)</u>	<u>\$ 74,368,594</u>

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

Governmental Activities	
General government	\$ 90,513
Public safety	329,726
Public works	441,980
Culture and recreation	22,872
Conservation	<u>3,764</u>
Total governmental activities	\$ <u>888,855</u>
Business-Type Activities	
Water	\$ 514,806
Sewer	<u>727,237</u>
Total business-type activities	\$ <u>1,242,043</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 *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* are more fully discussed in the corresponding pension and OPEB notes.

11. Accounts Payable and Accrued Liabilities

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

12. Retainage Payable

This balance represents amounts set aside as agreed upon between the Town and contractors performing work on the Epping Road Tax Increment Financing and Wastewater Treatment Plant projects to ensure contractors satisfy their obligations. These funds will be released once project requirements are met and work is substantially complete.

13. Due to Other Governments

The school district assessments for the period July 1, 2019 through June 30, 2020 were \$17,499,213 for the Exeter School District and \$18,578,629 for the Exeter Regional Cooperative. The School District assessments are paid in monthly installments. As of December 31, 2019, \$9,400,560 and \$9,692,520 was paid, respectively, leaving a total balance of \$16,984,762 to be paid through June 30, 2020.

14. Notes Payable

The Town has the following notes outstanding at December 31, 2019:

	Interest Rate	Date of Issue	Date of Maturity	Balance at 12/31/19
State revolving loan - Wastewater Treatment Plant	2.00%	9/29/2016	Upon completion	\$ 49,229,861
State revolving loan - TTHM Surface Water	2.27%	12/20/2017	Upon completion	1,124,074
Bond anticipation note - Library	2.16%	7/10/2019	8/14/2020	<u>2,500,000</u>
Total				<u>\$ 52,853,935</u>

The following summarizes activity in notes payable during fiscal year 2019:

	Balance at 1/1/2019	New Issues	Maturities	Balance at 12/31/19
State revolving loan - Wastewater Treatment Plant	\$ 37,937,628	\$ 11,499,114	\$ (206,881)	\$ 49,229,861
State revolving loan - TTHM Surface Water	495,560	628,514	-	1,124,074
Bond anticipation note - Library	<u>-</u>	<u>2,500,000</u>	<u>-</u>	<u>2,500,000</u>
Total	<u>\$ 38,433,188</u>	<u>\$ 14,627,628</u>	<u>\$ (206,881)</u>	<u>\$ 52,853,935</u>

15. Capital Lease Obligations

The Town is the lessee of certain equipment under capital leases expiring in various years through 2024. Future minimum lease payments under capital leases consisted of the following as of December 31, 2019:

Fiscal Year	Principal	Interest	Total
2020	\$ 412,982	\$ 35,326	\$ 448,308
2021	375,118	22,865	397,983
2022	138,198	11,256	149,454
2023	102,272	6,333	108,605
2024	<u>75,132</u>	<u>2,817</u>	<u>77,949</u>
Total	\$ <u>1,103,702</u>	\$ <u>78,597</u>	\$ <u>1,182,299</u>

16. Long-Term Debt

A. General Obligation Bonds

The Town issues general obligation bonds (direct placements) and state revolving loans (direct borrowings) to provide funds for the acquisition and construction of major capital facilities. General obligation bonds (direct placements) and state revolving loans (direct borrowings) have been issued for governmental and business-type activities. General obligation bonds and state revolving loans currently outstanding are as follows:

<u>Governmental Activities - Direct Placements</u>	Serial Maturities <u>Through</u>	Interest Rate(s) <u>Rate(s)</u>	Amount Outstanding as of <u>12/31/19</u>
Great Dam Design	08/15/21	3.55%	\$ 69,000
Great Dam Removal	07/15/24	5.10%	775,000
Recreation Park	08/15/24	5.10%	225,600
Salem St. Utility Design	08/15/24	5.10%	27,138
Linden St. Culvert	08/15/25	2.54%	409,700
Design/Construction of Sidewalks	08/15/25	2.54%	329,700
Court St. Culvert	08/15/27	5.10%	904,533
String Bridge	08/15/28	2.55%	250,000
Epping Rd. Tax Increment Financing	08/15/28	2.55%	3,765,000
Lincoln St. Phase 2	07/15/32	4.10 - 5.10%	<u>1,263,440</u>
Total Governmental Activities			\$ <u>8,019,111</u>

	Serial	Interest	Amount
	Maturities	Rate(s)	Outstanding
<u>Business-Type Activities - Direct Placements</u>	<u>Through</u>		as of
			<u>12/31/19</u>
Sewer Lines	08/15/21	3.55%	\$ 201,250
Water Lines	08/15/21	3.55%	304,750
Portsmouth Ave. Sewer Lines	08/15/23	2.54%	318,927
Portsmouth Ave. Water Lines	08/15/23	2.54%	61,074
Sewer Lines	08/15/24	5.10%	80,000
Water Mains	08/15/24	5.10%	600,000
Salem St. Utility Design - Sewer	08/15/24	5.10%	131,169
Salem St. Utility Design - Water	08/15/24	5.10%	135,692
Court St. Culvert	08/15/27	5.10%	30,467
Washington St. Water Line	08/15/28	2.55%	480,000
Epping Rd.	09/01/28	3.97%	1,050,000
Jady Hill Phase II	07/14/32	2.00 - 4.00%	1,665,000
Lincoln St. Phase 2	08/15/32	4.10 - 5.10%	<u>816,560</u>
Total Business-Type Activities - Direct Placements			<u>\$ 5,874,889</u>

	Serial	Interest	Amount
	Maturities	Rate(s)	Outstanding
<u>Business-Type Activities - Direct Borrowings</u>	<u>Through</u>		as of
			<u>12/31/19</u>
Water Tank State Revolving Loan	08/15/29	1.35%	\$ 2,064,093
Groundwater Treatment Facility	01/01/36	1.96%	<u>4,468,732</u>
Total Business-Type Activities - Direct Borrowings			<u>\$ 6,532,825</u>

B. Future Debt Service

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

<u>Governmental</u>	<u>Direct Placements</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 1,064,586	\$ 389,166	\$ 1,453,752
2021	1,063,016	335,600	1,398,616
2022	1,023,816	284,605	1,308,421
2023	1,018,518	236,139	1,334,510
2024	953,518	187,635	1,141,153
2025 - 2029	2,604,097	378,911	2,983,008
2030 - 2032	291,560	23,908	315,468
Total	\$ <u>8,019,111</u>	\$ <u>1,835,964</u>	\$ <u>9,934,928</u>

<u>Business-Type</u>	<u>Direct Placements</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2020	\$ 905,014	\$ 256,219	\$ 1,161,233
2021	891,983	213,867	1,105,850
2022	641,183	174,920	816,103
2023	636,483	143,497	779,980
2024	541,483	112,276	653,759
2025 - 2029	1,695,303	284,287	1,979,590
2030 - 2033	563,440	41,140	604,580
Total	\$ <u>5,874,889</u>	\$ <u>1,226,206</u>	\$ <u>7,101,095</u>

The annual payments to retire all state revolving loans (direct borrowings) outstanding as of December 31, 2019 are as follows:

Business-Type	Direct Borrowings		Total
	Principal	Interest	
2020	\$ 425,603	\$ 156,775	\$ 582,378
2021	436,753	145,628	582,381
2022	448,211	134,169	582,380
2023	459,993	122,386	582,379
2024	472,105	110,273	582,378
2025 - 2029	2,270,180	357,800	2,627,980
2030 - 2034	1,414,577	143,583	1,558,160
Thereafter	605,403	17,857	623,260
Total	<u>\$ 6,532,825</u>	<u>\$ 1,188,471</u>	<u>\$ 7,721,296</u>

C. Changes in General Long-Term Liabilities

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

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
Governmental Activities						
Bonds payable - direct placements	\$ 8,857,501	\$ 252,738	\$ (1,091,128)	\$ 8,019,111	\$ (1,064,586)	\$ 6,954,525
Unamortized premium	913,159	-	(90,415)	822,744	(90,415)	732,329
Subtotal bonds payable	9,770,660	252,738	(1,181,543)	8,841,855	(1,155,001)	7,686,854
Net pension liability	16,068,313	722	-	16,069,035	-	16,069,035
Net OPEB liability	3,368,486	-	(772,463)	2,596,023	-	2,596,023
Compensated absences	619,619	-	(109,111)	510,508	(25,525)	484,983
Capital leases	1,215,006	229,322	(455,459)	988,869	(385,402)	603,467
Totals	<u>\$ 31,042,084</u>	<u>\$ 482,782</u>	<u>\$ (2,518,576)</u>	<u>\$ 29,006,290</u>	<u>\$ (1,565,928)</u>	<u>\$ 27,440,362</u>
Business-Type Activities						
Bonds payable - direct placements	\$ 6,515,950	\$ 266,861	\$ (907,922)	\$ 5,874,889	\$ (905,014)	\$ 4,969,875
State revolving loans - direct borrowings	7,054,967	-	(522,142)	6,532,825	(425,603)	6,107,222
Subtotal bonds payable	13,570,917	266,861	(1,430,064)	12,407,714	(1,330,617)	11,077,097
Net pension liability	1,589,173	72	-	1,589,245	-	1,589,245
Net OPEB liability	650,708	-	(103,264)	547,444	-	547,444
Compensated absences	32,459	566	-	33,025	(1,651)	31,374
Capital leases	30,694	145,490	(61,351)	114,833	(27,580)	87,253
Totals	<u>\$ 15,873,951</u>	<u>\$ 412,989</u>	<u>\$ (1,594,679)</u>	<u>\$ 14,692,261</u>	<u>\$ (1,359,848)</u>	<u>\$ 13,332,413</u>

D. Long-Term Debt Supporting Governmental and Business-Type Activities

General obligation bonds and state revolving loans 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 funds.

17. 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 in expense in future years and are more fully described in Notes 20 and 21, respectively.

The following is a summary of other deferred inflows of resources balances as of December 31, 2019:

	<u>Entity-wide Basis</u>	<u>Fund Basis</u>	
	Governmental <u>Activities</u>	Governmental Funds <u>General Fund</u>	<u>Nonmajor</u>
Unavailable revenues	\$ -	\$ 1,544,262	\$ 380,826
Taxes collected in advance	<u>30,445</u>	<u>30,445</u>	<u>-</u>
	<u>\$ 30,445</u>	<u>\$ 1,574,707</u>	<u>\$ 380,826</u>

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.

Taxes collected in advance are reported in the governmental funds balance sheet and government-wide statement of net position in connection with subsequent year property tax revenue collections which are not available for use in the current year.

18. 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 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 inactive capital project deficits 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 capital projects, 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 capital reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements.

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 and deficit funds.

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

	General Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Reserve for capital project deficits	\$ 164,170	\$ -	\$ -	\$ 164,170
Nonexpendable permanent funds	-	-	53,454	53,454
Total Nonspendable	164,170	-	53,454	217,624
Restricted				
Debt service*	-	14,734	-	14,734
Other bonded projects	-	836,167	-	836,167
Special revenue funds:				
Cable TV	-	-	171,676	171,676
Recreation	-	-	205,067	205,067
Energy	-	-	144,837	144,837
Library	-	-	337,659	337,659
EMS	-	-	276,329	276,329
Epping Road TIF	-	-	1,366,232	1,366,232
Other special revenue funds	-	-	132,816	132,816
Expendable permanent funds:				
Swasey Parkway	-	-	293,799	293,799
Other	-	-	356	356
Total Restricted	-	850,901	2,928,771	3,779,672
Committed				
Capital reserves:				
Transportation fund	124,677	-	-	124,677
Swasey Parkway Maintenance	70,878	-	-	70,878
Snow/ice	102,969	-	-	102,969
Other capital reserve funds	139,600	-	-	139,600
Total Committed	438,124	-	-	438,124
Assigned				
Encumbrances	229,554	-	-	229,554
Total Assigned	229,554	-	-	229,554
Unassigned				
	3,289,766	(429,381)	(157,013)	2,703,372
Total Unassigned	3,289,766	(429,381)	(157,013)	2,703,372
Total Fund Balance	\$ 4,121,614	\$ 421,520	\$ 2,825,212	\$ 7,368,346

*This amount represents excess proceeds to be used towards the Great Dam debt service payment.

19. 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 unassigned 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	\$ 3,289,766
Unavailable revenue	1,544,262
Accrued payroll	<u>311,217</u>
Tax Rate Setting Balance	<u>\$ 5,145,245</u>

20. 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).

A. 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.

B. Benefits Provided

Group I 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>Service</u>	Minimum <u>Age</u>	Benefit <u>Multiplier</u>
At least 3 but less than 10 years	21	46	2.4%
At least 6 but less than 8 years	22	47	2.3%
At least 4 but less than 6 years	12	48	2.2%
Less than 4 years	24	49	2.1%

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, for 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 10.88% to 26.43% of covered compensation. The Town’s contributions to NHRS for the year ended December 31, 2019 was \$1,600,357, which was equal to its annual required contribution.

D. 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.

E. 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 \$17,658,280 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. 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 December 31, 2019, the Town's proportion was 0.36698977%.

For the year ended December 31, 2019, the Town recognized pension expense of \$1,975,620. 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	\$ 97,635	\$ (379,703)
Changes of assumptions	633,573	-
Net difference between projected and actual earnings on pension plan investments	-	(144,243)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(529,825)
Contributions subsequent to the measurement date	<u>821,384</u>	<u>-</u>
Total	<u>\$ 1,552,592</u>	<u>\$ (1,053,771)</u>

The \$821,384 reported as deferred outflows 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 December 31:	
2020	\$ 375,288
2021	(571,200)
2022	(168,480)
2023	<u>41,829</u>
Total	<u>\$ (322,563)</u>

F. 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:

Price inflation	2.50% per year
Inflation	3.25% per year
Salary increases	5.60% average, including inflation
Investment rate of return	7.25%, net of investment expenses, 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.

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:

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Weighted Average Average Long-Term Expected Real Rate of Return</u>
Large cap equities	22.50 %	4.25%
Small/mid cap equities	<u>7.50</u>	4.50%
Total domestic equities	30.00	
Int'l equities (unhedged)	13.00	4.50%
Emerging int'l equities	<u>7.00</u>	6.00%
Total international equities	20.00	
Core bonds	4.50	0.50%
Short Duration	2.50	-0.25%
Global multi-sector fixed income	11.00	1.80%
Absolute return fixed income	<u>7.00</u>	1.14%
Total fixed income	25.00	
Private equity	5.00	6.25%
Private debt	5.00	4.25%
Opportunistic	<u>5.00</u>	2.15%
Total alternative investments	<u>15.00</u>	
Real Estate	<u>10.00</u>	3.25%
Total	<u><u>100.00</u></u> %	

G. 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.

H. *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%, 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	Current Discount Rate	1% Increase
<u>(6.25%)</u>	<u>(7.25%)</u>	<u>(8.25%)</u>
\$ 23,645,165	\$ 17,658,280	\$ 12,710,167

I. *Pension Plan Fiduciary Net Position*

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

21. 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.

A. *Town OPEB Plan*

All the following OPEB disclosures for the Town OPEB Plan are based on a measurement date of December 31, 2019.

General Information about the OPEB Plan

Plan Description

The Town provides post-employment healthcare benefits for retired employees through the Town’s plan. The Town provides health insurance coverage through HealthTrust. The OPEB plan is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

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 December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	40
Active employees	<u>139</u>
Total	<u><u>179</u></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 an actuarial valuation as of January 1, 2019, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.50%, average, including inflation
Discount rate	2.74%
Healthcare cost trend rates	9.00% for 2019, fluctuating 1.00%, to an ultimate rate of 5.00% as of 2023 and later years
Retirees' share of benefit-related costs	100%
Participation rate	50% of the current active employees

The discount rate was based on the Bond Buyer's 20 Bond Index at December 31, 2019.

Mortality rates were based on the RPH-2014 Total Dataset mortality table projected fully generationally using projection scale MP-2019.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.74%. 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.

Total OPEB Liability

The Town's total OPEB liability of \$1,442,571 was measured as of December 31, 2019 and was determined by an actuarial valuation as of January 1, 2019.

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	\$ 2,223,303
Changes for the year:	
Service cost	65,154
Interest	52,648
Differences between expected and actual experience	(655,687)
Changes in assumptions or other inputs	(159,048)
Benefit payments	<u>(83,799)</u>
Net Changes	<u>(780,732)</u>
Balances, end of year	<u>\$ 1,442,571</u>

Changes in assumptions and other inputs reflect a change in the discount rate from 4.10% in 2019 to 2.74% in 2019. Differences between expected and actual experience resulted in retirees waiving coverage.

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:

<u>1% Decrease</u>	Current Discount Rate	<u>1% Increase</u>
\$ 1,564,801	\$ 1,442,571	\$ 1,331,706

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% Decrease</u>	Current Healthcare Cost Trend Rates	<u>1% Increase</u>
\$ 1,297,712	\$ 1,442,571	\$ 1,613,635

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 \$11,863. At December 31, 2019, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual experience	\$ -	\$ (584,183)
Changes of assumptions	<u>-</u>	<u>(232,103)</u>
Total	<u>\$ -</u>	<u>\$ (816,286)</u>

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

<u>Fiscal Year Ended:</u>	
2020	\$ (105,939)
2021	(105,939)
2022	(105,939)
2023	(105,939)
2024	(105,939)
Thereafter	<u>(286,591)</u>
Total	\$ <u><u>(816,286)</u></u>

B. 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 21 A , 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.

NHRS issues publicly available financial reports that can be obtained by writing to them at 54 Regional Drive, Concord, New Hampshire 03301-8507 or from their website at <http://www.nhrs.org>.

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 0.29% of gross payroll for Group I employees and 3.66% 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 December 31, 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 \$1,700,896, representing 0.387968260%.

For the year ended December 31, 2019, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$213,701. 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>
Differences between expected and actual experience	\$ -	\$ (2,959)
Net difference between projected and actual earnings on OPEB plan investments	-	(1,911)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(2,083)
Contributions subsequent to the measurement date	<u>84,554</u>	<u>-</u>
Total	<u>\$ 84,554</u>	<u>\$ (6,953)</u>

The \$84,554 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 the year ending December 31, 2020.

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

<u>Fiscal Year Ended:</u>	
2020	\$ (6,310)
2021	(1,268)
2022	132
2023	<u>493</u>
Total	\$ <u>(6,953)</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>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 1,844,880	\$ 1,700,896	\$ 1,575,783

Healthcare Cost Trend Rate

Healthcare cost trend rates are not applicable given that the benefits are fixed stipends.

C. Consolidation of Total/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:

	<u>Total/Net OPEB Liability</u>	<u>Total Deferred Outflows of Resources</u>	<u>Total Deferred (Inflows) of Resources</u>	<u>Total OPEB Expense</u>
Town OPEB Plan	\$ 1,442,571	\$ -	\$ (816,286)	\$ 11,863
Proportionate share of NHRS Medical Subsidy Plan	<u>1,700,896</u>	<u>84,554</u>	<u>(6,953)</u>	<u>213,701</u>
Total	\$ <u>3,143,467</u>	\$ <u>84,554</u>	\$ <u>(823,239)</u>	\$ <u>225,564</u>

22. Subsequent Events

COVID-19

The COVID-19 outbreak in the United States and across the globe has resulted in economic uncertainties. The disruption is expected to be temporary, but there is considerable uncertainty around the duration and scope. 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, special acts or legislation by the state or federal government, and the impact on our taxpayers, customers, 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.

23. Commitments and Contingencies

Outstanding Legal Issues – On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town’s management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

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.

Abatements - There are several cases pending before the New Hampshire Board of Tax and Land Appeals in regard to alleged discrepancies in property assessments. According to the Town’s counsel, the probable outcome of these cases at the present time is indeterminable, although the Town expects such amounts, if any, to be immaterial.

Encumbrances – At year-end, the Town’s general fund has \$229,554 in encumbrances that will be honored in the next fiscal year.

24. 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 EXETER, NEW HAMPSHIRE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY (GASB 68)

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>Percentage 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	0.36698977%	\$ 17,658,280	\$ 8,805,563	200.536%	65.59%
December 31, 2018	June 30, 2018	0.36670289%	\$ 17,657,486	\$ 8,465,025	208.593%	64.73%
December 31, 2017	June 30, 2017	0.38399360%	\$ 18,884,778	\$ 8,359,889	225.897%	62.66%
December 31, 2016	June 30, 2016	0.39354241%	\$ 20,926,994	\$ 8,155,765	256.591%	58.30%
December 31, 2015	June 30, 2015	0.38240135%	\$ 15,148,933	\$ 7,948,396	190.591%	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 EXETER, NEW HAMPSHIRE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

DECEMBER 31, 2019
 (Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2019	June 30, 2019	\$ 1,600,357	\$ 1,600,357	\$ -	\$ 8,961,017	17.86%
December 31, 2018	June 30, 2018	\$ 1,580,159	\$ 1,580,159	\$ -	\$ 8,681,910	18.20%
December 31, 2017	June 30, 2017	\$ 1,456,964	\$ 1,456,964	\$ -	\$ 8,359,889	17.43%
December 31, 2016	June 30, 2016	\$ 1,408,838	\$ 1,408,838	\$ -	\$ 8,155,765	17.27%
December 31, 2015	June 30, 2015	\$ 1,486,987	\$ 1,486,987	\$ -	\$ 7,948,396	18.71%

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

See Independent Auditors' Report.

TOWN OF EXETER, NEW HAMPSHIRE
 REQUIRED SUPPLEMENTARY INFORMATION
 SCHEDULES OF PROPORTIONATE SHARE AND CONTRIBUTIONS
 OF THE NET OPEB LIABILITY (GASB 75)

DECEMBER 31, 2019
 (Unaudited)

Schedule of Proportionate Share

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	0.387968260%	\$1,700,896	\$ 8,805,563	19.32%	7.75%
December 31, 2018	June 30, 2018	0.392248070%	\$1,795,891	\$ 8,465,025	21.22%	7.53%

Schedule of Contributions

New Hampshire Retirement System Medical Subsidy

<u>Fiscal Year</u>	<u>Valuation Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions Relative to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
December 31, 2019	June 30, 2019	\$169,567	\$169,567	\$ -	\$ 8,961,017	1.89%
December 31, 2018	June 30, 2018	\$176,720	\$176,720	\$ -	\$ 8,681,910	2.04%

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

See Independent Auditors' Report.

TOWN OF EXETER, NEW HAMPSHIRE
 REQUIRED SUPPLEMENTARY INFORMATION
 OTHER POST-EMPLOYMENT BENEFITS (OPEB)
 SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY (GASB 75)

(Unaudited)

Town of Exeter OPEB Plan*

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 65,154	\$ 97,061
Interest on unfunded liability - time value of \$	52,648	80,121
Differences between expected and actual experience	(655,687)	-
Changes of assumptions	(159,048)	(124,580)
Benefit payments, including refunds of member contributions	<u>(83,799)</u>	<u>(121,638)</u>
Net change in total OPEB liability	(780,732)	(69,036)
Total OPEB liability - beginning	<u>2,223,303</u>	<u>2,292,339</u>
Total OPEB liability - ending	<u>\$ 1,442,571</u>	<u>\$ 2,223,303</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 significant actuarial methods and assumptions.

See Independent Auditors' Report.