



TOWN OF EXETER, NEW HAMPSHIRE

Financial Statements
For the Year Ended December 31, 2020

(With Independent Auditors' Report Thereon)

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Position	11
Statement of Activities	13
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	14
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	15
Statement of Revenues, Expenditures, and Changes in Fund Balances	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Proprietary Funds:	
Statement of Net Position	18
Statement of Revenues, Expenses, and Changes in Fund Net Position	19
Statement of Cash Flows	20
Fiduciary Funds:	
Statement of Fiduciary Net Position	21
Statement of Changes in Fiduciary Net Position	22
Notes to Financial Statements	23

REQUIRED SUPPLEMENTARY INFORMATION

Budget and Actual:

Schedule of Revenues, Expenditures, and Other Financing Sources/Uses – Budget and Actual – General Fund 58

Notes to Required Supplementary Information for Budget 59

Pension:

Schedule of Proportionate Share of the Net Pension Liability 60

Schedule of Pension Contributions 61

OPEB:

Schedules of Proportionate Share and Contributions of the Net OPEB Liability 62

Schedule of Changes in the Total OPEB Liability 63



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, 2020, and for the year then ended, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Merrimack, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

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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, 2020, and the respective changes in financial position and, where applicable, cash flows thereof 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, the Budgetary Comparison for the General Fund, 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.

Melanson

Merrimack, New Hampshire
September 20, 2021

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, 2020.

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 required 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.

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.

Required Supplementary Information (Other Than MD&A)

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

Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$9,910,882, a change of \$1,359,993, and net position in business-type activities was \$19,354,775, a change of \$3,322,135.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$10,306,512 an increase of \$2,938,166 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$4,227,307, an increase of \$937,541 in comparison to the prior year.

Government-Wide Financial Analysis

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

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current and other assets	\$ 31,471,190	\$ 30,202,482	\$ 7,839,823	\$ 10,367,568	\$ 39,311,013	\$ 40,570,050
Capital assets	<u>31,166,446</u>	<u>28,654,294</u>	<u>75,201,212</u>	<u>74,368,594</u>	<u>106,367,658</u>	<u>103,022,888</u>
Total assets	62,637,636	58,856,776	83,041,035	84,736,162	145,678,671	143,592,938
Deferred outflows of resources	4,795,780	1,481,466	549,045	155,680	5,344,825	1,637,146
Other liabilities	19,508,545	21,123,710	48,410,842	53,916,839	67,919,387	75,040,549
Long term liabilities	<u>36,638,598</u>	<u>29,006,290</u>	<u>15,580,946</u>	<u>14,692,261</u>	<u>52,219,544</u>	<u>43,698,551</u>
Total liabilities	56,147,143	50,130,000	63,991,788	68,609,100	120,138,931	118,739,100
Deferred inflows of resources	1,375,391	1,657,353	243,517	250,102	1,618,908	1,907,455
Net investment in capital assets	19,918,932	20,124,392	16,493,772	12,547,311	36,412,704	32,671,703
Restricted	3,557,969	2,982,225	-	-	3,557,969	2,982,225
Unrestricted	<u>(13,566,019)</u>	<u>(14,555,728)</u>	<u>2,861,003</u>	<u>3,485,329</u>	<u>(10,705,016)</u>	<u>(11,070,399)</u>
Total net position	\$ <u>9,910,882</u>	\$ <u>8,550,889</u>	\$ <u>19,354,775</u>	\$ <u>16,032,640</u>	\$ <u>29,265,657</u>	\$ <u>24,583,529</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$29,265,657, an increase of \$4,682,128 in comparison to the prior year.

The largest portion of net position, \$36,412,704, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens;

consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$3,557,969, 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 \$(10,705,016) which primarily results from the Town's unfunded net pension and net OPEB liabilities.

CHANGE IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Revenues						
Program revenues:						
Charges for services	\$ 2,559,105	\$ 3,617,112	\$ 10,191,399	\$ 8,134,380	\$ 12,750,504	\$ 11,751,492
Operating grants and contributions	770,039	179,378	-	-	770,039	179,378
Capital grants and contributions	51,591	26,966	3,447,059	82,041	3,498,650	109,007
General revenues:						
Property taxes	13,990,817	13,125,463	-	-	13,990,817	13,125,463
Motor vehicle registrations	3,090,723	3,091,272	-	-	3,090,723	3,091,272
Penalties, interest, and other taxes	222,255	257,018	-	-	222,255	257,018
Grants and contributions not restricted to specific programs	1,249,444	1,290,080	-	-	1,249,444	1,290,080
Investment income	109,888	202,786	2,602	6,366	112,490	209,152
Miscellaneous	223,874	219,437	-	-	223,874	219,437
Total revenues	22,267,736	22,009,512	13,641,060	8,222,787	35,908,796	30,232,299
Expenses						
General government	4,114,448	3,771,052	-	-	4,114,448	3,771,052
Public safety	8,940,029	8,345,091	-	-	8,940,029	8,345,091
Public works	3,351,331	3,553,570	-	-	3,351,331	3,553,570
Health and human services	151,327	133,359	-	-	151,327	133,359
Welfare	178,997	180,710	-	-	178,997	180,710
Culture and recreation	2,018,619	2,492,042	-	-	2,018,619	2,492,042
Sanitation	1,354,829	1,279,588	-	-	1,354,829	1,279,588
Conservation	153,138	152,992	-	-	153,138	152,992
Interest on long-term debt	495,247	410,938	-	-	495,247	410,938
Water services	-	-	3,292,116	2,970,194	3,292,116	2,970,194
Sewer services	-	-	7,176,587	3,124,313	7,176,587	3,124,313
Total expenses	20,757,965	20,319,342	10,468,703	6,094,507	31,226,668	26,413,849
Change in net position before transfers	1,509,771	1,690,170	3,172,357	2,128,280	4,682,128	3,818,450
Transfers in (out)	(149,778)	(98,954)	149,778	98,954	-	-
Change in net position	1,359,993	1,591,216	3,322,135	2,227,234	4,682,128	3,818,450
Net position - beginning of year	8,550,889	6,959,673	16,032,640	13,805,406	24,583,529	20,765,079
Net position - end of year	\$ 9,910,882	\$ 8,550,889	\$ 19,354,775	\$ 16,032,640	\$ 29,265,657	\$ 24,583,529

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$1,359,993. Key elements of this change are as follows:

Increase in net pension liability, net of deferred outflows/inflows	\$ (1,305,015)
Decrease in net OPEB liability, net of deferred outflows/inflows	340,118
General fund operations, net of debt service subsidy	1,377,234
Epping Road TIF revenues	1,186,583
Other	<u>(238,927)</u>
Total	\$ <u>1,359,993</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$3,322,135. Key elements of this change are as follows:

Water services	\$ 990,162
Sewer services	<u>2,331,973</u>
Total	\$ <u>3,322,135</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 4 as of December 31, 2020. The Town implemented increased water/sewer rates to ensure rates are at a level to cover current and future operating and capital expenses. In addition, the Town received capital contributions from the State in the form of grants and debt forgiveness on infrastructure projects.

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 \$10,306,512, a decrease of \$2,938,166 in comparison to the prior year. Key elements of this change are as follows:

General fund operations	\$ 1,527,012
General fund debt service subsidy to water fund	(149,778)
Capital project fund bond proceeds, premiums, and revenues in excess of expenditures	1,175,195
Nonmajor fund activities	<u>385,737</u>
Total	<u>\$ 2,938,166</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 \$4,227,307, while total fund balance was \$5,379,163. 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>12/31/20</u>	<u>12/31/19</u>	<u>Change</u>	% of <u>Total General Fund Appropriations</u>
Unassigned fund balance	\$ 4,227,307	\$ 3,289,766	\$ 937,541	5.68%
Total fund balance	5,379,163	4,121,614	1,257,549	7.23%

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 increased by \$1,257,549 during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (1,477,000)
Revenues and transfers in greater than budget	1,107,518
Expenditures less than budget (transfers out in excess)	1,351,270
Change in capital reserves	166,868
Other	<u>108,893</u>
Total	<u>\$ 1,257,549</u>

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

	<u>12/31/20</u>	<u>12/31/19</u>	<u>Change</u>
Capital reserves	\$ 604,992	\$ 438,124	\$ 166,868

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 \$2,861,003, a decrease of \$(624,326) 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.

General Fund Budgetary Highlights

The only differences, other than reclassifications, between the original budget and the final amended budget related to carryforward of prior year appropriations.

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$106,367,658 (net of accumulated depreciation), an increase of \$3,344,770 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:

- Water and sewer infrastructure enhancements
- Design and construction costs for new Wastewater Treatment Plant
- TIF corridor improvements
- Construction costs for Library building expansion
- Acquisition of police vehicles and DPW equipment

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 2020.

Long-Term Debt

At the end of the current fiscal year, total bonded debt outstanding was \$24,593,008, all of which was backed by the full faith and credit of the Town.

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, 2020

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 27,904,883	\$ 6,416,907	\$ 34,321,790
Investments	436,654	-	436,654
Receivables, net of allowance for uncollectibles:			
Property taxes	1,767,542	-	1,767,542
User fees	-	1,389,566	1,389,566
Departmental	653,370	-	653,370
Intergovernmental	<u>18,937</u>	<u>33,350</u>	<u>52,287</u>
Total Current Assets	30,781,386	7,839,823	38,621,209
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	689,804	-	689,804
Capital assets:			
Capital assets, net			
of accumulated depreciation	14,834,385	74,077,689	88,912,074
Capital assets, nondepreciable	<u>16,332,061</u>	<u>1,123,523</u>	<u>17,455,584</u>
Total Noncurrent Assets	<u>31,856,250</u>	<u>75,201,212</u>	<u>107,057,462</u>
Total Assets	62,637,636	83,041,035	145,678,671
Deferred Outflows of Resources			
Related to pensions	4,664,366	511,936	5,176,302
Related to OPEB	<u>131,414</u>	<u>37,109</u>	<u>168,523</u>
Total Deferred Outflows of Resources	4,795,780	549,045	5,344,825

(continued)

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

TOWN OF EXETER, NEW HAMPSHIRE

Statement of Net Position
December 31, 2020

(continued)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Liabilities			
Current:			
Accounts payable	\$ 698,893	\$ 384,984	\$ 1,083,877
Retainage payable	5,774	800,492	806,266
Accrued liabilities	595,275	176,610	771,885
Due to other funds	-	-	-
Due to custodial fund	18,208,603	-	18,208,603
Notes payable	-	47,048,756	47,048,756
Other liabilities	-	-	-
Current portion of long-term liabilities:			
Bonds payable	1,450,995	1,525,977	2,976,972
Compensated absences	29,499	6,228	35,727
Capital leases	346,799	28,319	375,118
Total Current Liabilities	<u>21,335,838</u>	<u>49,971,366</u>	<u>71,307,204</u>
Noncurrent:			
Bonds payable, net of current portion	10,741,744	10,874,292	21,616,036
Net pension liability	20,837,921	2,287,061	23,124,982
Net OPEB liability	2,414,489	681,804	3,096,293
Compensated absences, net of current portion	560,483	118,331	678,814
Capital leases, net of current portion	256,668	58,934	315,602
Total Noncurrent Liabilities	<u>34,811,305</u>	<u>14,020,422</u>	<u>48,831,727</u>
Total Liabilities	56,147,143	63,991,788	120,138,931
Deferred Inflows of Resources			
Related to pensions	746,568	81,940	828,508
Related to OPEB	572,199	161,577	733,776
Other	56,624	-	56,624
Total Deferred Inflows of Resources	<u>1,375,391</u>	<u>243,517</u>	<u>1,618,908</u>
Net Position			
Net investment in capital assets	19,918,932	16,493,772	36,412,704
Restricted for:			
Grants and other statutory restrictions	3,189,088	-	3,189,088
Permanent funds:			
Nonexpendable	53,454	-	53,454
Expendable	315,427	-	315,427
Unrestricted	<u>(13,566,019)</u>	<u>2,861,003</u>	<u>(10,705,016)</u>
Total Net Position	<u>\$ 9,910,882</u>	<u>\$ 19,354,775</u>	<u>\$ 29,265,657</u>

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

TOWN OF EXETER, NEW HAMPSHIRE

Governmental Funds

Balance Sheet

December 31, 2020

	<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>
Assets				
Cash and short-term investments	\$ 23,266,345	\$ 1,639,420	\$ 2,999,118	\$ 27,904,883
Investments	-	-	436,654	436,654
Receivables:				
Property taxes	2,671,002	-	-	2,671,002
Departmental	197,638	-	455,732	653,370
Intergovernmental	-	17,881	1,056	18,937
Due from other funds	-	-	-	-
Other assets	-	-	-	-
Total Assets	<u>\$ 26,134,985</u>	<u>\$ 1,657,301</u>	<u>\$ 3,892,560</u>	<u>\$ 31,684,846</u>
Liabilities				
Accounts payable	\$ 497,895	\$ 155,729	\$ 45,269	\$ 698,893
Retainage payable	-	5,774	-	5,774
Accrued liabilities	343,294	-	-	343,294
Due to custodial fund	18,208,603	-	-	18,208,603
Other liabilities	<u>90,097</u>	<u>-</u>	<u>-</u>	<u>90,097</u>
Total Liabilities	19,139,889	161,503	45,269	19,346,661
Deferred Inflows of Resources				
Unavailable revenues	1,559,309	-	415,740	1,975,049
Taxes collected in advance	56,624	-	-	56,624
Fund Balances				
Nonspendable	70,545	-	53,454	123,999
Restricted	-	1,672,137	3,504,515	5,176,652
Committed	710,786	-	-	710,786
Assigned	370,525	-	-	370,525
Unassigned	<u>4,227,307</u>	<u>(176,339)</u>	<u>(126,418)</u>	<u>3,924,550</u>
Total Fund Balance	<u>5,379,163</u>	<u>1,495,798</u>	<u>3,431,551</u>	<u>10,306,512</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 26,134,985</u>	<u>\$ 1,657,301</u>	<u>\$ 3,892,560</u>	<u>\$ 31,684,846</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, 2020

Total governmental fund balances	\$ 10,306,512
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	31,166,446
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,761,393
Deferred outflows of resources to be recognized as an increase to pension and OPEB expense in future periods:	
Related to pensions	4,664,366
Related to OPEB	131,414
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(161,884)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in the governmental funds:	
Bonds payable	(12,192,739)
Net pension liability	(20,837,921)
Net OPEB liability	(2,414,489)
Compensated absences	(589,982)
Capital leases	(603,467)
Deferred inflows of resources to be recognized as a decrease to pension and OPEB expense in future periods:	
Related to pensions	(746,568)
Related to OPEB	(572,199)
Net position of governmental activities	<u>\$ 9,910,882</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, 2020

	General <u>Fund</u>	Capital Project <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues				
Property taxes	\$ 12,814,469	\$ -	\$ 1,185,255	\$ 13,999,724
Motor vehicle registrations	3,090,723	-	-	3,090,723
Penalties, interest, and other taxes	222,255	-	-	222,255
Charges for services	1,054,283	-	1,054,786	2,109,069
Intergovernmental	1,839,570	27,186	81,113	1,947,869
Licenses and permits	415,122	-	-	415,122
Investment income	56,355	-	53,533	109,888
Contributions	6,725	-	116,480	123,205
Miscellaneous	<u>223,874</u>	<u>-</u>	<u>-</u>	<u>223,874</u>
Total Revenues	19,723,376	27,186	2,491,167	22,241,729
Expenditures				
Current:				
General government	3,526,997	-	315,225	3,842,222
Public safety	7,455,423	-	454,439	7,909,862
Public works	2,658,577	-	17,220	2,675,797
Health and human services	132,443	-	13,699	146,142
Welfare	178,296	-	-	178,296
Culture and recreation	1,340,649	-	614,384	1,955,033
Sanitation	1,354,829	-	-	1,354,829
Conservation	146,505	-	-	146,505
Debt service:				
Principal	644,586	-	420,000	1,064,586
Interest	594,122	-	270,463	864,585
Capital outlay	<u>163,937</u>	<u>3,357,876</u>	<u>-</u>	<u>3,521,813</u>
Total Expenditures	<u>18,196,364</u>	<u>3,357,876</u>	<u>2,105,430</u>	<u>23,659,670</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	1,527,012	(3,330,690)	385,737	(1,417,941)
Other Financing Sources (Uses)				
Bond proceeds	-	3,816,425	-	3,816,425
Premiums from issuance of bonds	-	689,460	-	689,460
Transfers in	400,317	-	517,938	918,255
Transfers out	<u>(669,780)</u>	<u>(100,917)</u>	<u>(297,336)</u>	<u>(1,068,033)</u>
Total Other Financing Sources (Uses)	<u>(269,463)</u>	<u>4,404,968</u>	<u>220,602</u>	<u>4,356,107</u>
Change in Fund Balance	1,257,549	1,074,278	606,339	2,938,166
Fund Balance at Beginning of Year	<u>4,121,614</u>	<u>421,520</u>	<u>2,825,212</u>	<u>7,368,346</u>
Fund Balance at End of Year	<u>\$ 5,379,163</u>	<u>\$ 1,495,798</u>	<u>\$ 3,431,551</u>	<u>\$ 10,306,512</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
or the Year Ended December 31, 2020

Net changes in fund balances - Total governmental funds	\$	2,938,166
<p>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:</p>		
Capital outlay		3,593,155
Depreciation		(1,081,003)
<p>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.</p>		
		26,007
<p>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:</p>		
Repayments of bonds		1,064,586
Repayments of capital leases		385,402
Issuance of bonds		(3,816,425)
Premiums from issuance of bonds		(689,460)
<p>In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.</p>		
		(106,479)
<p>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:</p>		
Change in net pension liability, net of related deferred outflows and inflows of resources		(1,305,015)
Change in net OPEB liability, net of related deferred outflows and inflows of resources		340,118
Change in compensated absences		(79,474)
Bond premium amortization		90,415
Change in net position of governmental activities	\$	<u>1,359,993</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, 2020

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Assets			
Current:			
Cash and short-term investments	\$ 2,099,628	\$ 4,317,279	\$ 6,416,907
User fees, net of allowance for uncollectibles	337,182	1,052,384	1,389,566
Intergovernmental receivable	-	<u>33,350</u>	<u>33,350</u>
Total Current Assets	2,436,810	5,403,013	7,839,823
Noncurrent:			
Land and construction in progress	760,325	363,198	1,123,523
Capital assets, net of accumulated depreciation	<u>16,574,806</u>	<u>57,502,883</u>	<u>74,077,689</u>
Total Noncurrent Assets	<u>17,335,131</u>	<u>57,866,081</u>	<u>75,201,212</u>
Total Assets	19,771,941	63,269,094	83,041,035
Deferred Outflows of Resources			
Related to pensions	257,262	254,674	511,936
Related to OPEB	<u>17,678</u>	<u>19,431</u>	<u>37,109</u>
Total Deferred Outflows of Resources	274,940	274,105	549,045
Liabilities			
Current:			
Accounts payable	68,384	316,600	384,984
Retainage payable	-	800,492	800,492
Accrued liabilities	146,050	30,560	176,610
Notes payable	-	47,048,756	47,048,756
Current portion of long-term liabilities:			
Bonds payable	1,121,507	404,470	1,525,977
Compensated absences	6,228	-	6,228
Capital leases	<u>14,159</u>	<u>14,160</u>	<u>28,319</u>
Total Current Liabilities	1,356,328	48,615,038	49,971,366
Noncurrent:			
Bonds payable, net of current portion	8,603,572	2,270,720	10,874,292
Net pension liability	1,149,312	1,137,749	2,287,061
Net OPEB liability	324,801	357,003	681,804
Compensated absences, net of current portion	118,331	-	118,331
Capital leases, net of current portion	<u>29,467</u>	<u>29,467</u>	<u>58,934</u>
Total Noncurrent Liabilities	<u>10,225,483</u>	<u>3,794,939</u>	<u>14,020,422</u>
Total Liabilities	11,581,811	52,409,977	63,991,788
Deferred Inflows of Resources			
Related to pensions	41,177	40,763	81,940
Related to OPEB	<u>76,973</u>	<u>84,604</u>	<u>161,577</u>
Total Liabilities and Deferred Inflows of Resources	118,150	125,367	243,517
Net Position			
Net investment of capital assets	7,846,094	8,647,678	16,493,772
Unrestricted	<u>500,826</u>	<u>2,360,177</u>	<u>2,861,003</u>
Total Net Position	<u>\$ 8,346,920</u>	<u>\$ 11,007,855</u>	<u>\$ 19,354,775</u>

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, 2020

	Business-Type Activities		
	Enterprise Funds		
	<u>Water</u> <u>Fund</u>	<u>Sewer</u> <u>Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 3,789,240	\$ 6,318,462	\$ 10,107,702
Other	<u>83,697</u>	<u>-</u>	<u>83,697</u>
Total Operating Revenues	3,872,937	6,318,462	10,191,399
Operating Expenses			
Salaries and benefits	1,448,741	1,604,798	3,053,539
Other operating expenses	891,830	1,975,256	2,867,086
Depreciation	<u>578,163</u>	<u>1,837,519</u>	<u>2,415,682</u>
Total Operating Expenses	<u>2,918,734</u>	<u>5,417,573</u>	<u>8,336,307</u>
Operating Income	954,203	900,889	1,855,092
Nonoperating Revenues (Expenses)			
Investment income	57	2,545	2,602
Interest expense	<u>(373,382)</u>	<u>(1,759,014)</u>	<u>(2,132,396)</u>
Total Nonoperating (Expenses)	<u>(373,325)</u>	<u>(1,756,469)</u>	<u>(2,129,794)</u>
Income (Loss) Before Capital Contributions and Transfers	580,878	(855,580)	(274,702)
Capital Contributions and Transfers			
Capital contributions	259,506	3,187,553	3,447,059
Transfers in	<u>149,778</u>	<u>-</u>	<u>149,778</u>
Change in Net Position	990,162	2,331,973	3,322,135
Net Position at Beginning of Year	<u>7,356,758</u>	<u>8,675,882</u>	<u>16,032,640</u>
Net Position at End of Year	\$ <u><u>8,346,920</u></u>	\$ <u><u>11,007,855</u></u>	\$ <u><u>19,354,775</u></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, 2020

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 3,908,957	\$ 6,156,259	\$ 10,065,216
Payments to vendors and employees	<u>(2,162,642)</u>	<u>(5,503,542)</u>	<u>(7,666,184)</u>
Net Cash Provided By Operating Activities	1,746,315	652,717	2,399,032
Cash Flows From Noncapital Financing Activities			
Transfers in	<u>149,778</u>	<u>-</u>	<u>149,778</u>
Net Cash Provided By Noncapital Financing Activities	149,778	-	149,778
Cash Flows From Capital and Related Financing Activities			
Proceeds from issuance of bonds	1,411,413	-	1,411,413
Proceeds from issuance of state revolving loans	-	3,115,804	3,115,804
Acquisition and construction of capital assets	(474,752)	(2,773,548)	(3,248,300)
Principal payments on bonds	(1,005,853)	(413,005)	(1,418,858)
Principal payments on leases	(13,790)	(13,790)	(27,580)
Principal payments on state revolving loans	(1,124,074)	(5,296,909)	(6,420,983)
Interest expense	(299,616)	(1,764,279)	(2,063,895)
Intergovernmental revenue	<u>259,506</u>	<u>4,451,604</u>	<u>4,711,110</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(1,247,166)</u>	<u>(2,694,123)</u>	<u>(3,941,289)</u>
Cash Flows From Investing Activities			
Investment income	<u>57</u>	<u>2,545</u>	<u>2,602</u>
Net Cash Provided By Investing Activities	<u>57</u>	<u>2,545</u>	<u>2,602</u>
Net Change in Cash and Short-Term Investments	648,984	(2,038,861)	(1,389,877)
Cash and Short-Term Investments, Beginning of Year	<u>1,450,644</u>	<u>6,356,140</u>	<u>7,806,784</u>
Cash and Short-Term Investments, End of Year	<u>\$ 2,099,628</u>	<u>\$ 4,317,279</u>	<u>\$ 6,416,907</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities			
Operating income	\$ 954,203	\$ 900,889	\$ 1,855,092
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	578,163	1,837,519	2,415,682
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees	36,020	(162,203)	(126,183)
Deferred outflows related to pensions	(179,632)	(192,571)	(372,203)
Deferred outflows related to OPEB	(9,409)	(11,753)	(21,162)
Warrants and retainage payable	(12,447)	(2,256,872)	(2,269,319)
Net pension liability	266,398	109,166	375,564
Net OPEB liability	25,194	431,418	456,612
Other liabilities	102,876	(11,342)	91,534
Deferred inflows related to pensions	(11,511)	(1,388)	(12,899)
Deferred inflows related to OPEB	<u>(3,540)</u>	<u>9,854</u>	<u>6,314</u>
Net Cash Provided By Operating Activities	<u>\$ 1,746,315</u>	<u>\$ 652,717</u>	<u>\$ 2,399,032</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, 2020

	Private Purpose Trust Funds	Custodial Funds
Assets		
Cash and short-term investments	\$ <u>5,088</u>	\$ <u>19,222,790</u>
Total Assets	5,088	19,222,790
Liabilities		
Due to School District	-	18,208,603
Deposits held in custody	<u>-</u>	<u>1,014,187</u>
Total Liabilities	<u>-</u>	\$ <u><u>19,222,790</u></u>
Net Position		
Restricted for other purposes	\$ <u><u>5,088</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, 2020

	Private Purpose Trust <u>Funds</u>	Custodial <u>Funds</u>
Additions		
Taxes collected for School District	\$ -	\$ 38,701,685
Taxes collected for County	-	2,020,366
Fees collected for State of New Hampshire	-	888,786
Interest	<u>18</u>	<u>-</u>
Total Additions	18	41,610,837
Deductions		
Payment of taxes to School District	-	38,701,685
Payment of taxes to County	-	2,020,366
Payments of fees to State of New Hampshire	-	888,786
Benefits	<u>1,609</u>	<u>-</u>
Total Deductions	<u>1,609</u>	<u>41,610,837</u>
Net Decrease	(1,591)	-
Net position restricted for other purposes		
Beginning of year	<u>6,679</u>	<u>-</u>
End of year	<u>\$ 5,088</u>	<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:

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 2020, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental 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.

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 *custodial funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements. Custodial funds include taxes and fees collected on behalf of other governments.

Cash and 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.

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

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 and corporate debt. Investments are carried at fair value.

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

Compensated Absences

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

Long-Term Obligations

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

Fund Equity

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

Fund Balance

Generally, fund balance represents the difference between the current assets/deferred outflows 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.

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

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.

Deficit Fund Equity

The following funds had deficits as of December 31, 2020:

Capital Project Fund:

Stewart Park seawall	\$	(105,794)	(B)
String Bridge		(41,392)	(A)
TAP Sidewalk		<u>(29,153)</u>	(A)
Subtotal		(176,339)	

Nonmajor Governmental Funds:

Transportation Fund		(114,461)	(A)
Police details		<u>(11,957)</u>	(A)
Subtotal		<u>(126,418)</u>	
Total	\$	<u><u>(302,757)</u></u>	

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

(B) – At the March 2021 Annual Town Meeting, the Town voted to fund the Stewart Park seawall.

Excess of Expenditures Over Appropriations

Expenditures exceeding appropriations during the current fiscal year were as follows:

Welfare \$(1,439), sanitation \$(89,476), and transfers out \$(4,865).

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, 2020, none of the Town’s bank balance of \$38,479,568 was exposed to custodial credit risk as uninsured and/or uncollateralized.

4. Investments

The following is a summary of the Town’s investments as of December 31, 2020:

<u>Investment Type</u>	<u>Amount</u>
Corporate bonds	\$ 16,252
Equity mutual funds	297,061
Fixed income mutual funds	<u>123,341</u>
Total investments	<u>\$ 436,654</u>

Credit Risk

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

Presented below 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	\$ 16,252	\$ -	\$ -	\$ 16,252	\$ -	\$ -
Fixed income mutual funds	<u>123,341</u>	<u>14,144</u>	<u>43,514</u>	<u>-</u>	<u>25,625</u>	<u>40,058</u>
Total	<u>\$ 139,593</u>	<u>\$ 14,144</u>	<u>\$ 43,514</u>	<u>\$ 16,252</u>	<u>\$ 25,625</u>	<u>\$ 40,058</u>

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to

recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have formal investment policies related to custodial credit risk.

As of December 31, 2020, \$16,252 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.

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, 2020, the Town does not have an investment in one issuer greater than 5% of total investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have 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	\$ 16,252	\$ -	\$ 16,252	\$ -	\$ -
Fixed income mutual funds	<u>123,341</u>	<u>-</u>	<u>40,058</u>	<u>69,139</u>	<u>14,144</u>
Total	\$ <u>139,593</u>	\$ <u>-</u>	\$ <u>56,310</u>	\$ <u>69,139</u>	\$ <u>14,144</u>

Foreign Currency Risk

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

Fair Value

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

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets

or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

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

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

The Town has the following fair value measurements as of December 31, 2020:

<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	\$ 16,252	\$ -	\$ 16,252	-
Equity mutual funds	297,062	297,062	-	-
Fixed income mutual funds	<u>123,341</u>	123,341	-	-
Total	\$ <u>436,655</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, 2020 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Property taxes	\$ 1,920,909	\$ (153,674)	\$ 1,767,235	\$ -
Yield Tax	307	-	307	-
Tax liens	<u>749,786</u>	<u>(59,982)</u>	<u>-</u>	<u>689,804</u>
Total property taxes	\$ <u>2,671,002</u>	\$ <u>(213,656)</u>	\$ <u>1,767,542</u>	\$ <u>689,804</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, 2020 consist of the following:

	Gross Amount	Allowance for Doubtful Accounts	Net Amount
Water	\$ 366,502	\$ (29,320)	\$ 337,182
Sewer	<u>1,123,705</u>	<u>(71,321)</u>	<u>1,052,384</u>
Total	\$ <u>1,490,207</u>	\$ <u>(100,641)</u>	\$ <u>1,389,566</u>

7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in 2020.

8. Interfund Transfers

The Town reports interfund transfers between various funds. The following is an analysis of interfund transfers made in 2020:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 400,317	\$ 669,780
Capital Project Fund	-	100,917
Nonmajor Governmental Funds:		
Library	258,321	-
EMS	-	204,381
Other special revenue funds	259,617	92,955
Enterprise Funds:		
Water	<u>149,778</u>	<u>-</u>
Total	<u>\$ 1,068,033</u>	<u>\$ 1,068,033</u>

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 \$258,321 transfer to the library from the general fund represents the Town’s annual appropriation. The \$204,381 transfer out of the EMS fund represents the annual transfer of 95% of the previous year’s EMS balance to the general fund. \$149,778 of the \$669,780 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, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 3,998,150	\$ -	\$ -	\$ 3,998,150
Machinery, equipment, and furnishings	9,293,132	232,275	-	9,525,407
Infrastructure	<u>16,469,175</u>	<u>5,695</u>	<u>-</u>	<u>16,474,870</u>
Total capital assets, being depreciated	29,760,457	237,970	-	29,998,427
Less accumulated depreciation for:				
Buildings and improvements	(3,643,641)	(39,842)	-	(3,683,483)
Machinery, equipment, and furnishings	(5,098,360)	(674,114)	-	(5,772,474)
Infrastructure	<u>(5,341,038)</u>	<u>(367,047)</u>	<u>-</u>	<u>(5,708,085)</u>
Total accumulated depreciation	<u>(14,083,039)</u>	<u>(1,081,003)</u>	<u>-</u>	<u>(15,164,042)</u>
Total capital assets, being depreciated, net	15,677,418	(843,033)	-	14,834,385
Capital assets, not being depreciated:				
Land	11,745,352	-	-	11,745,352
Works of art	646,500	-	-	646,500
Construction in progress	<u>585,024</u>	<u>3,454,371</u>	<u>(99,186)</u>	<u>3,940,209</u>
Total capital assets, not being depreciated	<u>12,976,876</u>	<u>3,454,371</u>	<u>(99,186)</u>	<u>16,332,061</u>
Governmental activities capital assets, net	<u>\$ 28,654,294</u>	<u>\$ 2,611,338</u>	<u>\$ (99,186)</u>	<u>\$ 31,166,446</u>
	Beginning Balance	Increases	Decreases	Ending Balance
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 177,530	\$ -	\$ -	\$ 177,530
Machinery, equipment, and furnishings	11,863,437	161,600	-	12,025,037
Infrastructure	<u>89,173,346</u>	<u>2,398,190</u>	<u>-</u>	<u>91,571,536</u>
Total capital assets, being depreciated	101,214,313	2,559,790	-	103,774,103
Less accumulated depreciation for:				
Buildings and improvements	(171,395)	(3,811)	-	(175,206)
Machinery, equipment, and furnishings	(1,747,408)	(796,450)	-	(2,543,858)
Infrastructure	<u>(25,361,929)</u>	<u>(1,615,421)</u>	<u>-</u>	<u>(26,977,350)</u>
Total accumulated depreciation	<u>(27,280,732)</u>	<u>(2,415,682)</u>	<u>-</u>	<u>(29,696,414)</u>
Total capital assets, being depreciated, net	73,933,581	144,108	-	74,077,689
Capital assets, not being depreciated:				
Land	196,590	-	-	196,590
Construction in progress	<u>238,423</u>	<u>809,855</u>	<u>(121,345)</u>	<u>926,933</u>
Total capital assets, not being depreciated	<u>435,013</u>	<u>809,855</u>	<u>(121,345)</u>	<u>1,123,523</u>
Business-type activities capital assets, net	<u>\$ 74,368,594</u>	<u>\$ 953,963</u>	<u>\$ (121,345)</u>	<u>\$ 75,201,212</u>

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

Governmental Activities	
General government	\$ 110,064
Public safety	375,575
Public works	570,733
Culture and recreation	20,867
Conservation	<u>3,764</u>
Total governmental activities	\$ <u>1,081,003</u>
Business-Type Activities	
Water	\$ 578,163
Sewer	<u>1,837,519</u>
Total business-type activities	\$ <u>2,415,682</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 2020 expenditures paid after December 31, 2020.

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 School District

The school district assessments for the period July 1, 2020 through June 30, 2021 were \$18,731,139 for the Exeter School District and \$19,970,546 for the Exeter Regional Cooperative. The School District assessments are paid in monthly installments. As of December 31, 2020, \$9,888,845 and \$10,604,237 was paid, respectively, leaving a total balance of \$18,208,603 to be paid through June 30, 2021.

14. Notes Payable

The Town has the following notes outstanding at December 31, 2020:

	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Balance at 12/31/20</u>
State revolving loan - Wastewater Treatment Plant	2.00%	9/29/2016	Upon completion	\$ 47,048,756

The following summarizes activity in notes payable during fiscal year 2020:

	<u>Balance at 1/1/2020</u>	<u>New Issues</u>	<u>Maturities</u>	<u>Balance at 12/31/20</u>
State revolving loan - Wastewater Treatment Plant	\$ 49,229,861	\$ 3,115,804	\$ (5,296,909)	\$ 47,048,756
State revolving loan - TTHM Surface Water	1,124,074	-	(1,124,074)	-
Bond anticipation note - Library	<u>2,500,000</u>	<u>-</u>	<u>(2,500,000)</u>	<u>-</u>
Total	<u>\$ 52,853,935</u>	<u>\$ 3,115,804</u>	<u>\$ (8,920,983)</u>	<u>\$ 47,048,756</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, 2020:

Fiscal Year	Principal	Interest	Total
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>690,720</u>	\$ <u>43,271</u>	\$ <u>733,991</u>

16. Long-Term Debt

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 Through	Interest Rate(s)	Amount Outstanding as of <u>12/31/20</u>
Great Dam Design	08/15/21	3.55%	\$ 34,200
Great Dam Removal	07/15/24	5.10%	620,000
Recreation Park	08/15/24	5.10%	180,000
Salem St. Utility Design	08/15/24	5.10%	21,230
Linden St. Culvert	08/15/25	2.54%	339,700
Design/Construction of Sidewalks	08/15/25	2.54%	274,700
Court St. Culvert	08/15/27	5.10%	788,443
String Bridge	08/15/28	2.55%	185,000
Epping Rd. Tax Increment Financing	08/15/28	2.55%	3,345,000
Lincoln St. Phase 2	07/15/32	4.10 - 5.10%	1,166,252
Public library	08/15/35	2.10 - 5.10%	<u>3,816,425</u>
Total Governmental Activities			\$ <u>10,770,950</u>

	Serial Maturities Through	Interest Rate(s)	Amount Outstanding as of 12/31/20
<u>Business-Type Activities - Direct Placements</u>			
Sewer Lines	08/15/21	3.55%	\$ 99,750
Water Lines	08/15/21	3.55%	151,050
Portsmouth Ave. Sewer Lines	08/15/23	2.54%	239,195
Portsmouth Ave. Water Lines	08/15/23	2.54%	45,806
Sewer Lines	08/15/24	5.10%	60,000
Water Mains	08/15/24	5.10%	480,000
Salem St. Utility Design - Sewer	08/15/24	5.10%	102,615
Salem St. Utility Design - Water	08/15/24	5.10%	106,154
Court St. Culvert	08/15/27	5.10%	26,557
Washington St. Water Line	08/15/28	2.55%	425,000
Epping Rd.	09/01/28	3.97%	945,000
Jady Hill Phase II	07/14/32	2.00 - 4.00%	1,535,000
Lincoln St. Phase 2	08/15/32	4.10 - 5.10%	753,748
Groundwater Resources	08/15/35	2.10 - 5.10%	<u>529,000</u>
Total Business-Type Activities - Direct Placements			\$ <u>5,498,875</u>

	Serial Maturities Through	Interest Rate(s)	Amount Outstanding as of 12/31/20
<u>Business-Type Activities - Direct Borrowings</u>			
Water Tank State Revolving Loan	08/15/29	1.35%	\$ 1,862,535
Groundwater Treatment Facility	01/01/36	1.96%	4,244,687
Surface Water Treatment Plant Upgrades	03/01/29	1.07%	<u>794,172</u>
Total Business-Type Activities - Direct Borrowings			\$ <u>6,901,394</u>

Future Debt Service

The annual payments to retire all general obligation (direct placements) long-term debt outstanding as of December 31, 2020 are as follows:

<u>Governmental</u>	<u>Direct Placements</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2021	\$ 1,314,616	\$ 501,156	\$ 1,815,772
2022	1,278,816	435,961	1,714,777
2023	1,273,343	374,490	1,647,833
2024	1,208,518	312,990	1,521,508
2025	1,002,841	253,754	1,256,595
2026 - 2030	3,228,444	616,136	3,844,580
2031 - 2035	<u>1,464,372</u>	<u>101,954</u>	<u>1,566,326</u>
Total	\$ <u>10,770,950</u>	\$ <u>2,596,441</u>	\$ <u>13,367,391</u>

<u>Business-Type</u>	<u>Direct Placements</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2021	\$ 1,000,983	\$ 241,071	\$ 1,242,054
2022	746,183	196,340	942,523
2023	741,483	159,562	901,045
2024	646,483	122,986	769,469
2025	461,559	92,138	553,697
2026 - 2030	1,526,556	217,949	1,744,505
2031 - 2032	<u>375,628</u>	<u>20,695</u>	<u>396,323</u>
Total	\$ <u>5,498,875</u>	\$ <u>1,050,741</u>	\$ <u>6,549,616</u>

The annual payments to retire all state revolving loans (direct borrowings) outstanding as of December 31, 2020 are as follows:

<u>Business-Type</u>	<u>Direct Borrowings</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2021	\$ 524,994	\$ 154,086	\$ 679,080
2022	536,452	141,687	678,139
2023	548,234	128,964	677,198
2024	560,346	115,912	676,258
2025	572,801	102,517	675,318
2026 - 2030	2,410,627	308,972	2,719,599
2031 - 2035	1,442,303	115,857	1,558,160
Thereafter	<u>305,637</u>	<u>5,991</u>	<u>311,628</u>
Total	\$ <u>6,901,394</u>	\$ <u>1,073,986</u>	\$ <u>7,975,380</u>

Changes in General Long-Term Liabilities

During the year ended December 31, 2020, 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	\$ 8,019,111	\$ 3,816,425	\$ (1,064,586)	\$ 10,770,950	\$ (1,314,616)	\$ 9,456,334
Unamortized premium	<u>822,744</u>	<u>689,460</u>	<u>(90,415)</u>	<u>1,421,789</u>	<u>(136,379)</u>	<u>1,285,410</u>
Subtotal bonds payable	8,841,855	4,505,885	(1,155,001)	12,192,739	(1,450,995)	10,741,744
Net pension liability	16,069,035	4,768,886	-	20,837,921	-	20,837,921
Net OPEB liability	2,596,023	-	(181,534)	2,414,489	-	2,414,489
Compensated absences	510,508	79,474	-	589,982	(29,499)	560,483
Capital leases	<u>988,869</u>	<u>-</u>	<u>(385,402)</u>	<u>603,467</u>	<u>(346,799)</u>	<u>256,668</u>
Totals	\$ <u>29,006,290</u>	\$ <u>9,354,245</u>	\$ <u>(1,721,937)</u>	\$ <u>36,638,598</u>	\$ <u>(1,827,293)</u>	\$ <u>34,811,305</u>
Business-Type Activities						
Bonds payable - direct placements	\$ 5,874,889	\$ 529,000	\$ (905,014)	\$ 5,498,875	\$ (1,000,983)	\$ 4,497,892
State revolving loans - direct borrowings	<u>6,532,825</u>	<u>882,413</u>	<u>(513,844)</u>	<u>6,901,394</u>	<u>(524,994)</u>	<u>6,376,400</u>
Subtotal bonds payable	12,407,714	1,411,413	(1,418,858)	12,400,269	(1,525,977)	10,874,292
Net pension liability	1,589,245	697,816	-	2,287,061	-	2,287,061
Net OPEB liability	547,444	134,360	-	681,804	-	681,804
Compensated absences	33,025	102,876	(11,342)	124,559	(6,228)	118,331
Capital leases	<u>114,833</u>	<u>-</u>	<u>(27,580)</u>	<u>87,253</u>	<u>(28,319)</u>	<u>58,934</u>
Totals	\$ <u>14,692,261</u>	\$ <u>2,346,465</u>	\$ <u>(1,457,780)</u>	\$ <u>15,580,946</u>	\$ <u>(1,560,524)</u>	\$ <u>14,020,422</u>

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, 2020:

	<u>Entity-Wide Basis</u>	<u>Fund Basis</u>	
	Governmental <u>Activities</u>	Governmental Funds	
		<u>General Fund</u>	<u>Nonmajor</u>
Unavailable revenues	\$ -	\$ 1,559,309	\$ 415,740
Taxes collected in advance	<u>56,624</u>	<u>56,624</u>	<u>-</u>
	<u>\$ 56,624</u>	<u>\$ 1,615,933</u>	<u>\$ 415,740</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, 2020:

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, 2020:

	General Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Reserve for capital project deficits	\$ 70,545	\$ -	\$ -	\$ 70,545
Nonexpendable permanent funds	-	-	53,454	53,454
Total Nonspendable	70,545	-	53,454	123,999
Restricted				
Debt service*	-	14,734	-	14,734
Other bonded projects	-	1,657,403	-	1,657,403
Special revenue funds:				
Cable TV	-	-	159,469	159,469
Recreation	-	-	93,700	93,700
Energy	-	-	127,617	127,617
Library	-	-	419,432	419,432
EMS	-	-	232,401	232,401
Epping Road TIF	-	-	1,940,800	1,940,800
Other special revenue funds	-	-	215,669	215,669
Expendable permanent funds:				
Swasey Parkway	-	-	315,272	315,272
Other	-	-	155	155
Total Restricted	-	1,672,137	3,504,515	5,176,652
Committed				
Committed for capital project deficits	105,794	-	-	105,794
Capital reserves:				
Transportation fund	79,847	-	-	79,847
Swasey Parkway Maintenance	71,041	-	-	71,041
Sick leave	100,994	-	-	100,994
Capital improvement	143,190	-	-	143,190
Parks improvement	119,323	-	-	119,323
Other capital reserve funds	90,597	-	-	90,597
Total Committed	710,786	-	-	710,786
Assigned				
Encumbrances	370,525	-	-	370,525
Total Assigned	370,525	-	-	370,525
Unassigned				
Total Unassigned	4,227,307	(176,339)	(126,418)	3,924,550
Total Unassigned	4,227,307	(176,339)	(126,418)	3,924,550
Total Fund Balance	\$ 5,379,163	\$ 1,495,798	\$ 3,431,551	\$ 10,306,512

*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	\$ 4,227,307
Unavailable revenue	1,559,309
Accrued payroll	<u>343,294</u>
Tax Rate Setting Balance	\$ <u>6,129,910</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).

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 or from their website at <https://www.nhrs.org>.

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>	<u>Minimum Service</u>	<u>Minimum Age</u>	<u>Benefit 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	23	48	2.2%
Less than 4 years	24	49	2.1%

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, III, which is 10.88% for employees, 24.77% for police, and 26.43% for fire. The Town’s contributions to NHRS for the year ended December 31, 2020 was \$1,604,206, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

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

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

At December 31, 2020, the Town reported a liability of \$23,124,982 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all

participating employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.362%.

For the year ended December 31, 2020, the Town recognized pension expense of \$3,221,938. 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	\$ 624,486	\$ (248,296)
Changes of assumptions	2,287,519	-
Net difference between projected and actual earnings on pension plan investments	1,430,305	-
Changes in proportion and differences between contributions and proportionate share of contributions	14,531	(580,212)
Contributions subsequent to the measurement date	<u>819,461</u>	<u>-</u>
Total	<u>\$ 5,176,302</u>	<u>\$ (828,508)</u>

The \$819,461 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 2021. 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:	
2021	\$ 499,994
2022	898,434
2023	1,107,489
2024	<u>1,022,416</u>
Total	<u>\$ 3,528,333</u>

Actuarial Assumptions

The collective total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.00%, previously 2.50%
Wage inflation	2.75%, previously 3.25%
Salary increases	5.60% average, including inflation
Investment rate of return	6.75%, net of investment expenses, including inflation, previously 7.25%

Mortality rates were updated to be based on the Pub-2010 Healthy Retiree Mortality Tables with credibility adjustments for each group (Police and Fire combined) and projected fully generational mortality improvements using Scale MP-2019.

Actuarial assumptions also reflect benefit changes resulting from CH 340 laws of 2019 (HB 616), which grants a one-time, 1.5% COLA on the first \$50,000 of an annual pension benefit to members who retired on or before July 1, 2014, or any beneficiaries of such member who is receiving a survivorship pension benefit. The COLA will take effect on the retired member's first anniversary date of retirement occurring after July 1, 2020. The adjustment shall become a permanent addition to the member's base retirement allowance.

The actuarial assumptions used in the June 30, 2019 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

Target Allocation

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 %	3.71%
Small/mid cap equities	<u>7.50</u>	4.15%
Total domestic equities	30.00	
Int'l equities (unhedged)	13.00	3.96%
Emerging int'l equities	<u>7.00</u>	6.20%
Total international equities	20.00	
Core bonds	9.00	0.42%
Global multi-sector fixed income	10.00	1.66%
Absolute return fixed income	<u>6.00</u>	0.92%
Total fixed income	25.00	
Private equity	10.00	7.71%
Private debt	<u>5.00</u>	4.81%
Total alternative investments	<u>15.00</u>	
Real Estate	<u>10.00</u>	2.95%
Total	<u><u>100.00</u></u> %	

Discount Rate

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 6.75%, as well as what the Town’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
\$ 29,937,440	\$ 23,124,982	\$17,558,301

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.

Town OPEB Plan

All the following OPEB disclosures for the Town OPEB Plan are based on an actuarial valuation performed as of January 1, 2019, with a measurement date of December 31, 2020.

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 January 1, 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:

Discount rate	2.12%, previously 2.74%
Annual payroll increase	2.50%
Healthcare cost trend rates	8.00% for 2020, fluctuating 1.00%, to an ultimate rate of 5.00% as of 2023 and later years
Participation rate	50% of the current active employees, previously 75%

The discount rate was based on the Bond Buyer’s 20 Bond Index at December 31, 2020.

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 2.12%. 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.

Changes in the Total OPEB Liability

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

	<u>Total OPEB Liability</u>
Balances, beginning of year	\$ 1,442,571
Changes for the year:	
Service cost	87,348
Interest	40,577
Changes in assumptions	78,299
Benefit payments	<u>(98,673)</u>
Net Changes	<u>107,551</u>
Balances, end of year	<u>\$ 1,550,122</u>

Changes in assumptions reflect a change in the discount rate from 2.74% in 2019 to 2.12% in 2020 and a 1% decrease in the healthcare cost trend rates from the prior year.

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 the discount rate of 2.12%, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease <u>(1.12%)</u>	Current Discount Rate <u>(2.12%)</u>	1% Increase <u>(3.12%)</u>
\$ 1,686,931	\$ 1,550,122	\$ 1,426,187

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:

1% <u>Decrease</u>	Current Healthcare Cost Trend <u>Rates</u>	1% <u>Increase</u>
\$ 1,371,504	\$ 1,550,122	\$ 1,763,734

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

For the year ended December 31, 2020, the Town recognized an OPEB expense of \$30,735. At December 31, 2020, 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	\$ -	\$ (512,679)
Changes in assumptions	<u>69,550</u>	<u>(197,668)</u>
Total	<u>\$ 69,550</u>	<u>\$ (710,347)</u>

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

Fiscal Year Ended:

2021	\$ (97,190)
2022	(97,190)
2023	(97,190)
2024	(97,190)
2025	(85,050)
Thereafter	<u>(166,987)</u>
Total	<u>\$ (640,797)</u>

New Hampshire Retirement System Medical Subsidy Plan Description

All the following OPEB disclosures for the New Hampshire Retirement System Medical Subsidy Plan are based upon an actuarial valuation performed as of June 30, 2019, using a measurement date of June 30, 2020.

General Information about the OPEB Plan

Plan Description

In addition to the pension plan discussed previously, 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. The OPEB Plan is closed to new entrants.

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 <https://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 earnable compensation. The Town contributed 0.29% of earnable compensation for Group I employees and 3.66% of earnable compensation 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

Actuarial assumptions for the collective total OPEB liability are the same as the Retirement System, which is disclosed in Note 20.

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, 2020 was \$1,546,171 representing 0.353%.

For the year ended December 31, 2020, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$9,990. At December 31, 2020, 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	\$ -	\$ (4,480)
Changes of assumptions	9,941	-
Net difference between projected and actual earnings on OPEB plan investments	5,785	-
Changes in proportion and differences between contributions and proportionate share of contributions	-	(18,949)
Contributions subsequent to the measurement date	<u>83,247</u>	<u>-</u>
Total	<u>\$ 98,973</u>	<u>\$ (23,429)</u>

The \$83,247 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, 2021.

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

Fiscal Year Ended:

2021	\$ (13,049)
2022	1,712
2023	2,042
2024	<u>1,592</u>
Total	\$ <u>(7,703)</u>

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

The following presents the net OPEB liability calculated using the discount rate of 6.75%, as well as what the net 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:

	Current	
1%	Discount	1%
Decrease	Rate	Increase
<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
\$ 1,678,981	\$ 1,546,171	\$ 1,430,867

Healthcare Cost Trend Rate

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

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

Below is a summary of all OPEB related items in the aggregate as of December 31, 2020. Details related to these items are presented separately for each plan on the previous pages.

	Total OPEB Liability	Total Deferred Outflows of Resources	Total Deferred (Inflows) of Resources	Total OPEB Expense
Town OPEB Plan	\$ 1,550,122	\$ 69,550	\$ (710,347)	\$ 30,735
Proportionate share of NHRS Medical Subsidy Plan	<u>1,546,171</u>	<u>98,973</u>	<u>(23,429)</u>	<u>9,990</u>
Total	\$ <u>3,096,293</u>	\$ <u>168,523</u>	\$ <u>(733,776)</u>	\$ <u>40,725</u>

22. Commitments and Contingencies

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.

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 \$370,525 in encumbrances that will be honored in the next fiscal year.

23. Change in Accounting Principle

During 2020 the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. This required moving certain items previously recorded through a general fund liability accounts to the newly established custodial fund that reports additions and deductions for these activities. No restatement of beginning net position/fund balance was required in either fund.

24. New Pronouncements

Management is currently evaluating the impact of implementing the following Governmental Accounting Standards Board (GASB) pronouncement:

The 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
General Fund

Schedule of Revenues, Expenditures, and Other Financing Sources/Uses – Budget and Actual
For the Year Ended December 31, 2020

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary Basis)	Variance with Final Budget Positive (Negative)
Revenues				
Property taxes	\$ 12,090,562	\$ 12,453,772	\$ 12,814,469	\$ 360,697
Motor vehicle registrations	3,080,000	3,080,000	3,090,723	10,723
Interest, penalties, and other taxes	238,335	195,285	222,255	26,970
Charges for services	1,092,850	1,017,850	1,054,283	36,433
Intergovernmental	1,274,867	1,269,207	1,839,570	570,363
Licenses and permits	491,052	356,842	415,122	58,280
Investment income	115,000	55,000	54,500	(500)
Miscellaneous	<u>103,450</u>	<u>218,950</u>	<u>223,874</u>	<u>4,924</u>
Total Revenues	18,486,116	18,646,906	19,714,796	1,067,890
Expenditures				
Current:				
General government	3,761,820	3,799,348	3,525,780	273,568
Public safety	8,032,342	8,034,542	7,578,919	455,623
Public works	3,090,188	3,098,857	2,641,997	456,860
Health and human services	137,961	135,761	132,443	3,318
Welfare	176,857	176,857	178,296	(1,439)
Culture and recreation	1,638,427	1,638,427	1,587,644	50,783
Sanitation	1,304,764	1,320,364	1,409,840	(89,476)
Conservation	161,380	161,380	147,060	14,320
Capital outlay	360,869	539,416	352,446	186,970
Debt service:				
Principal	749,586	749,586	749,584	2
Interest	<u>644,507</u>	<u>644,507</u>	<u>638,901</u>	<u>5,606</u>
Total Expenditures	<u>20,058,701</u>	<u>20,299,045</u>	<u>18,942,910</u>	<u>1,356,135</u>
Excess (deficiency) of revenues over expenditures	(1,572,585)	(1,652,139)	771,886	2,424,025
Other Financing Sources/(Uses)				
Transfers in	455,585	305,585	345,213	39,628
Transfers out	(360,000)	(360,000)	(364,865)	(4,865)
Use of fund balance:				
For operating budget	1,212,000	1,212,000	-	(1,212,000)
For capital projects	115,000	115,000	-	(115,000)
For capital reserve funding	150,000	150,000	-	(150,000)
Prior year carryforwards	<u>-</u>	<u>229,554</u>	<u>229,554</u>	<u>-</u>
Total Other Financing Sources/(Uses)	<u>1,572,585</u>	<u>1,652,139</u>	<u>209,902</u>	<u>(1,442,237)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>981,788</u>	\$ <u>981,788</u>

See Independent Auditors' Report.

**Notes to Required Supplementary Information
for Budget**

Budgetary Basis

The general fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/(Uses)</u>
Revenues/expenditures/transfers (GAAP Basis)	\$ 19,723,376	\$ 18,196,364	\$ (269,463)
Remove effect of combining capital reserves and general fund	(8,580)	-	(158,288)
To reverse expenditures of prior year carryforwards	-		229,554
Add end-of-year appropriation carryforwards to expenditures	-	370,525	-
To reverse nonbudgeted transfers	-		
To reclass library appropriations	-	258,321	258,321
To reclass water debt service payments	-	149,778	149,778
Other	-	(32,078)	-
Budgetary Basis	<u>\$ 19,714,796</u>	<u>\$ 18,942,910</u>	<u>\$ 209,902</u>

See Independent Auditors' Report.

TOWN OF EXETER, NEW HAMPSHIRE

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability

(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, 2020	June 30, 2020	0.36154527%	\$ 23,124,982	\$9,220,854	250.790%	58.72%
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

(Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2020	\$ 1,604,206	\$ 1,604,206	\$ -	\$ 9,263,116	17.32%
December 31, 2019	\$ 1,600,357	\$ 1,600,357	\$ -	\$ 8,961,017	17.86%
December 31, 2018	\$ 1,580,159	\$ 1,580,159	\$ -	\$ 8,681,910	18.20%
December 31, 2017	\$ 1,456,964	\$ 1,456,964	\$ -	\$ 8,359,889	17.43%
December 31, 2016	\$ 1,408,838	\$ 1,408,838	\$ -	\$ 8,155,765	17.27%
December 31, 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

(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, 2020	June 30, 2020	0.35324186%	\$1,546,171	\$ 9,220,854	16.77%	7.74%
December 31, 2019	June 30, 2019	0.38796826%	\$1,700,896	\$ 8,805,563	19.32%	7.75%
December 31, 2018	June 30, 2018	0.39224807%	\$1,795,891	\$ 8,465,025	21.22%	7.53%

Schedule of Contributions

New Hampshire Retirement System Medical Subsidy

<u>Fiscal Year</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, 2020	\$162,660	\$162,660	\$ -	\$ 9,263,116	1.76%
December 31, 2019	\$169,567	\$169,567	\$ -	\$ 8,961,017	1.89%
December 31, 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

(Unaudited)

Town of Exeter OPEB Plan*

For the Years Ended December 31,	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 87,348	\$ 65,154	\$ 97,061
Interest	40,577	52,648	80,121
Differences between expected and actual experience	-	(655,687)	-
Changes in assumptions	78,299	(159,048)	(124,580)
Benefit payments, including refunds of member contributions	<u>(98,673)</u>	<u>(83,799)</u>	<u>(121,638)</u>
Net change in total OPEB liability	107,551	(780,732)	(69,036)
Total OPEB liability - beginning	<u>1,442,571</u>	<u>2,223,303</u>	<u>2,292,339</u>
Total OPEB liability - ending	<u>\$ 1,550,122</u>	<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.