



TOWN OF RAYMOND, NEW HAMPSHIRE

Annual Financial Statements
For the Year Ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Raymond, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Raymond, New Hampshire, as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of



expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant 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 major fund, and the aggregate remaining fund information of the Town of Raymond, New Hampshire, as of December 31, 2019, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

A handwritten signature in black ink that reads "Melanson".

Merrimack, New Hampshire
January 20, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

The governmental activities include general government, public safety, highways and streets, health and welfare, sanitation, water distribution and treatment, and culture and recreation.

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 two categories: governmental 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 calendar year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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.

Notes to Financial Statements

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

Other Information

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

Financial Highlights

- As of the close of the current calendar year, the total of assets exceeded liabilities by \$16,749,201 (i.e., net position), a change of \$1,409,598 in comparison to the prior year.
- As of the close of the current calendar year, governmental funds reported combined ending fund balances of \$10,291,841, a change of \$1,671,369 in comparison to the prior year.
- At the end of the current calendar year, unassigned fund balance for the general fund was \$4,560,713, a change of \$698,691 in comparison to the prior year.

Government-Wide Financial Analysis

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

	NET POSITION	
	Governmental	
	<u>Activities</u>	
	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 22,841,721	\$ 19,004,226
Capital assets	<u>16,033,159</u>	<u>17,003,466</u>
Total assets	38,874,880	36,007,692
Deferred outflows of resources	692,998	963,348
Current liabilities	11,622,890	12,221,025
Noncurrent liabilities	<u>10,813,799</u>	<u>8,904,929</u>
Total liabilities	22,436,689	21,125,954
Deferred inflows of resources	381,988	505,483
Net investments in capital assets	13,128,728	13,240,701
Restricted	2,628,849	2,328,984
Unrestricted	<u>991,624</u>	<u>(230,082)</u>
Total net position	<u>\$ 16,749,201</u>	<u>\$ 15,339,603</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 calendar year, total net position was \$16,749,201, a change of \$1,409,598 in comparison to the prior year.

The largest portion of net position \$13,128,728 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$2,628,849, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position, \$991,624, may be used to meet the Town's ongoing obligations to citizens and creditors.

CHANGES IN NET POSITION

	Governmental Activities	
	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues		
Charges for services	\$ 2,199,211	\$ 1,992,724
Operating grants and contributions	154,795	67,264
Capital grants and contributions	921,845	274,012
General revenues:		
Property taxes	5,671,388	5,871,647
Motor vehicle permit fees	2,296,014	2,251,839
Grants and contributions not restricted to specific programs	539,610	528,081
Investment income	529,347	226,661
Other	205,293	489,597
Total revenues	<u>12,517,503</u>	<u>11,701,825</u>
Expenses:		
General government	2,478,252	2,666,043
Public safety	3,034,450	3,315,036
Highway and streets	2,868,442	2,855,332
Health and welfare	180,679	180,679
Sanitation	820,692	756,553
Water distribution and treatment	658,639	659,323
Culture and recreation	919,580	991,533
Interest on long-term debt	147,171	29,549
Total expenses	<u>11,107,905</u>	<u>11,454,048</u>
Change in net position	1,409,598	247,777
Net position - beginning of year	<u>15,339,603</u>	<u>15,091,826</u>
Net position - end of year	<u>\$ 16,749,201</u>	<u>\$ 15,339,603</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$1,409,598. Key elements of this change are as follows:

General Fund operations	\$ 1,370,652
Other governmental funds operations	300,717
Depreciation is in excess of debt principal	(1,748,777)
Capital asset additions, net of disposals	1,048,465
SRF loan forgiveness	588,137
Net pension liability and related deferred outflows and inflows of resources	(199,591)
Net OPEB liability and related deferred outflows and inflows of resources	230,638
Other	<u>(180,643)</u>
Total	\$ <u><u>1,409,598</u></u>

Financial Analysis of Funds

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

Governmental Funds

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

As of the end of the current calendar year, governmental funds reported combined ending fund balances of \$10,291,841, a change of \$1,671,369 in comparison to the prior year. Key elements of this change are as follows:

General Fund operations	\$ 1,370,652
Nonmajor fund operations	<u>300,717</u>
Total	\$ <u><u>1,671,369</u></u>

The general fund is the chief operating fund. At the end of the current calendar year, unassigned fund balance of the general fund was \$4,560,713, while total fund balance was \$7,805,104. 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 following table.

<u>General Fund</u>	<u>12/31/19</u>	<u>12/31/18</u>	<u>Change</u>	<u>% of Total General Fund Expenditures</u>
Unassigned fund balance	\$ 4,560,713	\$ 3,862,022	\$ 698,691	60.23%
Total fund balance	\$ 7,805,104	\$ 6,434,452	\$ 1,370,652	103.07%

The following table represents the general fund unassigned fund balance retention as calculated by the Department of Revenue Administration for setting the tax rate. This calculation was accepted by the Board of Selectman as town policy. The Board of Selectman's goal is to retain a minimum unassigned fund balance in the general fund of 15% as calculated below:

General Fund Undesignated Fund Balance Retention

<u>Year</u>	<u>Unassigned Fund Balance (1)</u>	<u>General Fund Operating Expenses (2)</u>	<u>% Retained</u>
2019	\$ 4,348,747	\$ 29,273,599	14.86%
2018	\$ 3,861,051	\$ 27,332,614	14.13%
Change	\$ 487,696	\$ 1,940,985	

(1) As defined by the DRA, see note 17. This amount represents the beginning unassigned fund balance.

(2) DRA calculation = town appropriations + county assessments + local school tax effort – enterprise funds and/or non-general fund appropriations.

The total fund balance of the general fund changed by \$1,370,652 during the current calendar year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 656,249
Expenditures less than budget	837,910
Use of fund balance as a funding source	(795,468)
Other	146,545
Change in capital reserve	<u>525,416</u>
Total	\$ <u><u>1,370,652</u></u>

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

	<u>12/31/19</u>	<u>12/31/18</u>	<u>Change</u>
Capital reserves	\$ <u>2,825,169</u>	\$ <u>2,299,753</u>	\$ <u>525,416</u>
Total	\$ <u><u>2,825,169</u></u>	\$ <u><u>2,299,753</u></u>	\$ <u><u>525,416</u></u>

General Fund Budgetary Highlights

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

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets at year-end amounted to \$16,033,159 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

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

New Additions	
2018 Kubota RTV - side by side	\$ 63,554
2020 International HV507 Truck	94,800
2019 Roadway reconstruction	594,619
Culvert replacement Lane/Sherman road	243,091

Long-Term Debt

At the end of the current calendar year, total bonded debt outstanding was \$2,901,486, all of which was backed by the full faith and credit of the government.

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

REQUESTS FOR INFORMATION

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

Town of Raymond, New Hampshire

Town Manager

4 Epping Street

Raymond, NH 03077

TOWN OF RAYMOND, NEW HAMPSHIRE

Statement of Net Position
December 31, 2019

	<u>Governmental Activities</u>
Assets	
Current:	
Cash and short-term investments	\$ 17,155,483
Investments	3,536,018
Receivables, net of allowance for uncollectibles:	
Taxes	807,865
User fees	249,646
Departmental and other	101,074
Intergovernmental	11,776
Other assets	27,792
Internal balances	<u>391,397</u>
Total Current Assets	22,281,051
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	560,670
Capital assets:	
Land an construction in progress	1,684,598
Other capital assets, net of accumulated depreciation	<u>14,348,561</u>
Total Noncurrent Assets	16,593,829
Total Assets	38,874,880
Deferred Outflows of Resources	
Related to pensions	664,797
Related to OPEB	<u>28,201</u>
Total Deferred Outflows of Resources	692,998
Liabilities	
Current:	
Accounts payable	1,049,782
Accrued liabilities	210,832
Tax refunds payable	556,963
Due to other governments	2,953
Due to school district	9,425,727
Other current liabilities	89,778
Current portion of long-term liabilities:	
Bonds payable	220,393
Other	<u>66,462</u>
Total Current Liabilities	11,622,890
Noncurrent:	
Bonds payable, net of current portion	2,681,093
Net pension liability	6,262,657
Net OPEB liability	1,314,256
Other, net of current portion	<u>555,793</u>
Total Noncurrent Liabilities	10,813,799
Total Liabilities	22,436,689
Deferred Inflows of Resources	
Related to pensions	380,079
Related to OPEB	<u>1,909</u>
Total Deferred Inflows of Resources	381,988
Net Position	
Net investment in capital assets	13,128,728
Restricted for:	
Grants and other statutory restrictions	2,141,679
Permanent funds:	
Nonexpendable	385,705
Expendable	101,465
Other purposes	
Unrestricted	<u>991,624</u>
Total Net Position	\$ <u>16,749,201</u>

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

TOWN OF RAYMOND, NEW HAMPSHIRE

Statement of Activities
For the Year Ended December 31, 2019

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities					
General government	\$ 2,478,252	\$ 95,308	\$ -	\$ 650,709	\$ (1,732,235)
Public safety	3,034,450	219,687	150,295	19,322	(2,645,146)
Highways and streets	2,868,442	63	-	251,814	(2,616,565)
Health and welfare	180,679	4,389	-	-	(176,290)
Sanitation	820,692	623,346	-	-	(197,346)
Water distribution and treatment	658,639	907,572	-	-	248,933
Culture and recreation	919,580	348,846	4,500	-	(566,234)
Interest	<u>147,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(147,171)</u>
Total Governmental Activities	<u>\$ 11,107,905</u>	<u>\$ 2,199,211</u>	<u>\$ 154,795</u>	<u>\$ 921,845</u>	(7,832,054)
General Revenues and Transfers					
					5,671,388
					2,296,014
					539,610
					529,347
					<u>205,293</u>
					<u>9,241,652</u>
					1,409,598
Net Position					
					<u>15,339,603</u>
					<u>\$ 16,749,201</u>

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

TOWN OF RAYMOND, NEW HAMPSHIRE

Governmental Funds
Balance Sheet
December 31, 2019

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets			
Cash and short-term investments	\$ 16,225,196	\$ 930,287	\$ 17,155,483
Investments	3,064,648	471,370	3,536,018
Receivables:			
Property taxes	1,442,872	-	1,442,872
User fees	-	249,646	249,646
Departmental and other	2,662	98,412	101,074
Intergovernmental	-	11,776	11,776
Due from other funds	343,773	2,129,094	2,472,867
Advance to other funds	141,171	-	141,171
Other assets	2,043	25,749	27,792
Total Assets	<u>\$ 21,222,365</u>	<u>\$ 3,916,334</u>	<u>\$ 25,138,699</u>
Liabilities			
Accounts payable	\$ 278,515	\$ 771,267	\$ 1,049,782
Accrued liabilities	144,524	6,118	150,642
Tax refunds payable	556,963	-	556,963
Due to school district	9,425,727	-	9,425,727
Due to other governments	2,953	-	2,953
Due to other funds	1,833,614	247,856	2,081,470
Advance from other funds	-	141,171	141,171
Other liabilities	76,239	13,539	89,778
Total Liabilities	12,318,535	1,179,951	13,498,486
Deferred Inflows of Resources			
Unavailable revenues	1,098,726	249,646	1,348,372
Fund Balances			
Nonspendable	141,171	101,465	242,636
Restricted	-	2,526,025	2,526,025
Committed	2,825,169	46,562	2,871,731
Assigned	278,051	-	278,051
Unassigned	4,560,713	(187,315)	4,373,398
Total Fund Balances	<u>7,805,104</u>	<u>2,486,737</u>	<u>10,291,841</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 21,222,365</u>	<u>\$ 3,916,334</u>	<u>\$ 25,138,699</u>

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

TOWN OF RAYMOND, NEW HAMPSHIRE

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

Total governmental fund balances	\$ 10,291,841
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	16,033,159
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,274,035
Long-term liabilities, including bonds payable, net pension liability, and net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(3,523,741)
Pension liability, net of deferred inflows and outflows of resources	(5,977,939)
OPEB liability, net of deferred inflows and outflows of resources	(1,287,964)
Other	<u>(60,190)</u>
Net position of governmental activities	<u><u>\$ 16,749,201</u></u>

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

TOWN OF RAYMOND, NEW HAMPSHIRE

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

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues			
Property taxes	\$ 5,587,305	\$ 18,359	\$ 5,605,664
Penalties, interest, and other taxes	163,403	3,000	166,403
Licenses and permits	2,296,014	-	2,296,014
Charges for services	182,159	2,011,844	2,194,003
Intergovernmental	673,353	292,188	965,541
Investment income	281,823	247,524	529,347
Miscellaneous	<u>58,075</u>	<u>147,218</u>	<u>205,293</u>
Total Revenues	9,242,132	2,720,133	11,962,265
Expenditures			
Current:			
General government	2,413,198	65,864	2,479,062
Public safety	2,801,116	139,419	2,940,535
Highways and streets	1,268,673	683,597	1,952,270
Health and welfare	180,679	-	180,679
Sanitation	103,052	717,640	820,692
Water distribution and treatment	-	551,070	551,070
Culture and recreation	635,011	256,528	891,539
Debt service	-	304,145	304,145
Water bonded capital item	-	-	-
Capital outlay	<u>170,904</u>	<u>-</u>	<u>170,904</u>
Total Expenditures	<u>7,572,633</u>	<u>2,718,263</u>	<u>10,290,896</u>
Excess (deficiency) of revenues over expenditures	1,669,499	1,870	1,671,369
Other Financing Sources (Uses)			
Transfers in	70,000	368,847	438,847
Transfers out	<u>(368,847)</u>	<u>(70,000)</u>	<u>(438,847)</u>
Total Other Financing Sources (Uses)	<u>(298,847)</u>	<u>298,847</u>	<u>-</u>
Change in fund balance	1,370,652	300,717	1,671,369
Fund Balance, at Beginning of Year	<u>6,434,452</u>	<u>2,186,020</u>	<u>8,620,472</u>
Fund Balance, at End of Year	\$ <u><u>7,805,104</u></u>	\$ <u><u>2,486,737</u></u>	\$ <u><u>10,291,841</u></u>

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

TOWN OF RAYMOND, NEW HAMPSHIRE

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

Net changes in fund balances - total governmental funds	\$	1,671,369																								
<ul style="list-style-type: none"> • Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 70%;">Capital outlay</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">1,048,465</td> </tr> <tr> <td>Depreciation</td> <td></td> <td style="text-align: right;">(2,018,772)</td> </tr> </table> • The issuance of long-term debt (e.g., bonds) 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: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 70%;">SRF loan forgiveness</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">588,137</td> </tr> <tr> <td>Repayments of debt</td> <td></td> <td style="text-align: right;">269,345</td> </tr> </table> • 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 (i.e., real estate, etc.) differ between the two statements. This amount represents the net change in deferred inflows of resources. <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 70%;"></td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">(95,471)</td> </tr> </table> • 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: <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 70%;">Change in Pension expense from GASB 68</td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">(199,591)</td> </tr> <tr> <td>Change in OPEB expense from GASB 75</td> <td></td> <td style="text-align: right;">230,638</td> </tr> </table> • Other differences <table style="width: 100%; margin-left: 40px;"> <tr> <td style="width: 70%;"></td> <td style="width: 10%;"></td> <td style="width: 20%; text-align: right;">(84,522)</td> </tr> </table> 			Capital outlay		1,048,465	Depreciation		(2,018,772)	SRF loan forgiveness		588,137	Repayments of debt		269,345			(95,471)	Change in Pension expense from GASB 68		(199,591)	Change in OPEB expense from GASB 75		230,638			(84,522)
Capital outlay		1,048,465																								
Depreciation		(2,018,772)																								
SRF loan forgiveness		588,137																								
Repayments of debt		269,345																								
		(95,471)																								
Change in Pension expense from GASB 68		(199,591)																								
Change in OPEB expense from GASB 75		230,638																								
		(84,522)																								
Change in net position of governmental activities	\$	<u><u>1,409,598</u></u>																								

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

TOWN OF RAYMOND, NEW HAMPSHIRE

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

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
	<u>Budget</u>	<u>Budget</u>	<u>Amounts</u>	Positive <u>(Negative)</u>
Revenues				
Property taxes	\$ 5,692,632	\$ 5,692,632	\$ 5,587,305	\$ (105,327)
Penalties, interest, and other taxes	196,065	196,065	163,403	(32,662)
Charges for services	138,255	138,255	182,159	43,904
Intergovernmental	527,834	527,834	673,353	145,519
Licenses and permits	1,835,070	1,835,070	2,296,014	460,944
Investment income	110,000	110,000	221,271	111,271
Miscellaneous	<u>24,175</u>	<u>24,175</u>	<u>56,775</u>	<u>32,600</u>
Total Revenues and Other Sources	8,524,031	8,524,031	9,180,280	656,249
Expenditures and Other Uses				
General government	2,722,384	2,722,384	2,287,374	435,010
Public safety	3,080,084	3,080,084	2,784,408	295,676
Highways and streets	1,345,295	1,345,295	1,217,306	127,989
Health and welfare	176,006	176,006	180,679	(4,673)
Sanitation	57,869	57,869	103,052	(45,183)
Culture and recreation	701,110	701,110	632,183	68,927
Capital outlay	<u>311,750</u>	<u>311,750</u>	<u>297,740</u>	<u>14,010</u>
Total Expenditures and Other Uses	<u>8,394,498</u>	<u>8,394,498</u>	<u>7,502,742</u>	<u>891,756</u>
Other Financing Sources/Uses				
Transfers out				
Capital reserve funds	(610,000)	(610,000)	(610,000)	-
Other funds	(315,001)	(315,001)	(368,847)	(53,846)
Use of free cash:				
To reduce the tax rate	75,718	75,718	75,718	-
Capital articles	494,750	494,750	494,750	-
Transfer to capital reserve funds	<u>225,000</u>	<u>225,000</u>	<u>225,000</u>	<u>-</u>
Total Other Financing Sources/Uses	<u>(129,533)</u>	<u>(129,533)</u>	<u>(183,379)</u>	<u>(53,846)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,494,159</u>	\$ <u>1,494,159</u>

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

TOWN OF RAYMOND, NEW HAMPSHIRE

Fiduciary Funds
Statement Of Fiduciary Net Position
December 31, 2019

	Private Purpose Trust <u>Funds</u>	Agency <u>Funds</u>
Assets		
Cash and short-term investments	\$ 28,371	\$ 627,032
Investments	50,053	827,390
Due from external parties	<u>5,153</u>	<u>2,000</u>
Total Assets	83,577	1,456,422
Liabilities		
Accounts payable	-	639
Accrued liabilities	-	398,550
Due to other governments	-	27,601
Other liabilities	<u>124</u>	<u>1,029,632</u>
Total Liabilities	<u>124</u>	<u>\$ 1,456,422</u>
Net Position		
Restricted for other purposes	<u>83,453</u>	
Total net position	<u>\$ 83,453</u>	

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

TOWN OF RAYMOND, NEW HAMPSHIRE

Fiduciary Funds
Statement Of Changes In Fiduciary Net Position
For the Year Ended December 31, 2019

	<u>Private Purpose Trust Funds</u>
Additions	
Investment income	\$ <u>5,356</u>
Total additions	5,356
Deductions	
Scholarships	<u>3,686</u>
Total deductions	<u>3,686</u>
Net change	1,670
Net position restricted for pensions and other purposes	
Beginning of year	<u>81,783</u>
End of year	\$ <u><u>83,453</u></u>

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

TOWN OF RAYMOND, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the 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 and auto permits.

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 government considers property tax revenues to be available if they are collected within 60 days of the end of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, OPEB, and pension are recorded only when payment is due.

The government reports the following major governmental fund:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

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

The Town reports the following fiduciary funds:

- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

- The *agency funds* account for fiduciary assets held by the Government in a custodial capacity as an agent on behalf of others. Agency funds report only assets and liabilities, and therefore, have no measurement focus.

Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue, 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.

Investments

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

Interfund Receivables and Payables

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

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$15,000 (\$10,000 for donated assets) and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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 is included as part of the capitalized value of the assets constructed.

Property, plant and equipment are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and improvements	20-40
Machinery, equipment, and furnishings	5-15
Infrastructure	50

Compensated Absences

It is the government’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, long-term debt and other long-term obligations are reported as liabilities in the governmental activities Statement of Net Position.

Fund Equity

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

Fund Balance

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

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

Net Position

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consists 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 calendar year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

Budgetary Information

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

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

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

Budgetary Basis

The final appropriations appearing on the “Budget and Actual” page of the fund financial statements represent the final amended budget after all reserve fund transfers and supplemental appropriations.

Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
(GAAP Basis)	\$ 9,242,132	\$ 7,572,633	\$ (298,847)
Reverse beginning of year appropriation carryforwards from expenditures	-	(131,506)	
Add end of year appropriation carryforwards to expenditures	-	278,051	
Recognize use of fund balance as funding source	-	-	795,468
To eliminate capital reserve activity	<u>(61,852)</u>	<u>(216,436)</u>	<u>(680,000)</u>
Budgetary Basis	<u>\$ 9,180,280</u>	<u>\$ 7,502,742</u>	<u>\$ (183,379)</u>

Deficit Fund Equity

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

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

3. Cash and Short-Term Investments

Custodial Credit Risk – Deposits

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

As of December 31, 2019, none of the Town’s bank balance of \$17,938,325 was exposed to custodial credit risk as uninsured, uncollateralized, and collateral held by pledging bank’s trust department not in the Town’s name.

4. Investments

The following is a summary of the Town’s investments as of June 30, 2019:

<u>Investment Type</u>	<u>Amount</u>
Equity mutual funds	\$ 786,149
Fixed income mutual funds	3,469,618
U.S. Treasury notes	<u>157,693</u>
Total investments	\$ <u><u>4,413,460</u></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.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>	
		<u>AAA</u>	<u>Unrated</u>
Asset backed securities	\$ -	\$ -	\$ -
Certificates of deposit	-	-	-
Collateralized mortgage obligations	-	-	-
Corporate bonds	-	-	-
Equity mutual funds	\$ 786,149	\$ -	\$ 786,149
Fixed income mutual funds	3,469,618	-	3,469,618
U.S. Treasury notes	<u>157,693</u>	<u>157,693</u>	<u>-</u>
Total	\$ <u><u>4,413,460</u></u>	\$ <u><u>157,693</u></u>	\$ <u><u>4,255,767</u></u>

Custodial Credit Risk

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

As of June 30, 2019, \$4,413,460 of the Town's total investments were subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm, which is also the counterparty to these securities as follows:

<u>Investment Type</u>	<u>Amount</u>	Held by <u>Counterparty</u>	Held by Counterparty's <u>Trust or Agent</u>
Equity mutual funds	\$ 786,149	\$ 786,149	\$ -
Fixed income mutual funds	3,469,618	3,469,618	-
U.S. Treasury notes	<u>157,693</u>	<u>157,693</u>	<u>-</u>
Total	\$ <u>4,413,460</u>	\$ <u>4,413,460</u>	\$ <u>-</u>

Concentration of Credit Risk

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.

Foreign Currency Risk

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

Fair Value

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

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

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be

active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.

- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

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

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

<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:				
Equity mutual funds	\$ 786,149	\$ 786,149	\$ -	\$ -
Fixed income mutual funds	3,469,618	3,469,618	-	-
U.S. Treasury notes	<u>157,693</u>	157,693	-	-
Total	<u>\$ 4,413,460</u>			

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

5. Property Taxes Receivable

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 April 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 reported in the government-wide financial statements are net of an allowance for doubtful accounts of \$ 74,337.

<u>Receivables:</u>	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Current Portion</u>	<u>Long- Term Portion</u>
Real estate taxes	\$ 807,865	\$ -	\$ 807,865	\$ -
Tax liens	<u>635,007</u>	<u>(74,337)</u>	<u>-</u>	<u>560,670</u>
Grand total	\$ <u>1,442,872</u>	\$ <u>(74,337)</u>	\$ <u>807,865</u>	\$ <u>560,670</u>

6. User Fee Receivables

Receivables for user charges at December 31, 2019 consisted of outstanding water billing due at year end.

7. Intergovernmental Receivables

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

8. Interfund Fund Accounts

Receivables/Payables

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of the December 31, 2019 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>	<u>Advance To Other Funds</u>	<u>Advance From Other Funds</u>
General Fund	\$ 343,773	\$ 1,833,614	\$ 141,171	\$ -
Nonmajor Funds:				
Special Revenue Funds:				
Asset management fund	-	11,776	-	-
Cable Fund	303,772	-	-	-
Conservation Fund	15,807	65,079	-	-
Dare Fund	-	7,008	-	-
FEMA Fund	334	-	-	-
Fire Fund	74,942	-	-	-
Grants Fund	-	6,969	-	-
Homeland Security Fund	-	816	-	-
July 4th Fund	8,976	-	-	-
Misc Grants Fund	55,662	4,147	-	-
OHRV Fund	13,383	12,425	-	-
Police Grants	43,523	47,131	-	-
Recreation Fund	167,759	-	-	-
Recycling Fund	9,296	40,024	-	-
Roadways Fund	797,407	-	-	-
Special Duty Fund	101,236	-	-	-
Water	454,285	-	-	-
WWTP Fund	-	-	-	141,171
Subtotal Special Revenue Funds	<u>2,046,382</u>	<u>195,375</u>	<u>-</u>	<u>141,171</u>
Permanent Funds:	15,800	-	-	-
Capital Project Funds:				
Water Bond	66,912	20,350	-	-
Water Well	-	32,131	-	-
Subtotal Capital Project Funds	<u>66,912</u>	<u>52,481</u>	<u>-</u>	<u>-</u>
Subtotal Nonmajor Funds	<u>2,129,094</u>	<u>247,856</u>	<u>-</u>	<u>141,171</u>
Trust and Agency Funds:				
Private Purpose Trust Fund	5,153	-	-	-
Agency Fund	2,000	398,550	-	-
Subtotal Fiduciary Funds	<u>7,153</u>	<u>398,550</u>	<u>-</u>	<u>-</u>
Total	\$ <u>2,480,020</u>	\$ <u>2,480,020</u>	\$ <u>141,171</u>	\$ <u>141,171</u>

Transfers

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of interfund transfers made in fiscal year 2019.

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 70,000	\$ 368,847
Nonmajor Funds:		
Special Revenue Funds:		
Recycling Fund	53,847	-
Roadways Fund	315,000	-
Water	-	70,000
Subtotal Nonmajor Funds	<u>368,847</u>	<u>70,000</u>
Grand Total	<u>\$ 438,847</u>	<u>\$ 438,847</u>

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

9. Capital Assets

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

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,666,310	\$ -	\$ -	\$ 4,666,310
Machinery, equipment, and furnishings	5,093,343	205,710	(116,406)	5,182,647
Infrastructure	<u>54,543,562</u>	<u>3,900,672</u>	<u>-</u>	<u>58,444,234</u>
Total capital assets, being depreciated	64,303,215	4,106,382	(116,406)	68,293,191
Less accumulated depreciation for:				
Buildings and improvements	(3,022,103)	(143,852)	-	(3,165,955)
Machinery, equipment, and furnishings	(3,883,033)	(161,846)	115,757	(3,929,122)
Infrastructure	<u>(45,136,479)</u>	<u>(1,713,074)</u>	<u>-</u>	<u>(46,849,553)</u>
Total accumulated depreciation	<u>(52,041,615)</u>	<u>(2,018,772)</u>	<u>115,757</u>	<u>(53,944,630)</u>
Total capital assets, being depreciated, net	12,261,600	2,087,610	(649)	14,348,561
Capital assets, not being depreciated:				
Land	1,684,600	-	(2)	1,684,598
Construction in progress	<u>3,057,266</u>	<u>-</u>	<u>(3,057,266)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>4,741,866</u>	<u>-</u>	<u>(3,057,268)</u>	<u>1,684,598</u>
Governmental activities capital assets, net	<u>\$ 17,003,466</u>	<u>\$ 2,087,610</u>	<u>\$ (3,057,917)</u>	<u>\$ 16,033,159</u>

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

Governmental Activities	
General government	\$ 4,319
Public safety	102,662
Highway and streets	1,785,868
Water distribution and treatment	106,758
Culture and recreation	<u>19,165</u>
Total governmental activities	<u>\$ 2,018,772</u>

10. Deferred Outflows of Resources

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

11. Accounts Payable and Accrued Liabilities

Accounts payable and accrued expenses represent 2019 expenditures paid in 2020.

12. Tax Refunds Payable

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Board of Tax and Land Appeals.

13. Capital Lease Obligations

The Town is the lessee of certain equipment under a capital and operating lease expiring in 2022. Future minimum lease payments under the capital lease consists of the following as of December 31, 2019:

<u>Fiscal</u> <u>Year</u>	<u>Capital</u> <u>Lease</u>
2020	\$ 5,712
2021	5,712
2022	<u>3,332</u>
Total payments	<u>\$ 14,756</u>

14. Long-Term Debt

General Obligation Bonds

The Town issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds currently outstanding are as follows:

<u>Governmental Activities</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/19</u>
Ground Water Supply -SRF Drinking Wa	06/01/24	3.69%	\$ 625,000
Well replacement - SRF Drinking Water	03/01/38	0.46%	<u>2,276,486</u>
Total Governmental Activities			<u>\$ 2,901,486</u>

Future Debt Service

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

<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 220,393	\$ 79,143	\$ 299,536
2021	222,744	72,182	294,926
2022	225,152	65,164	290,316
2023	227,620	58,086	285,706
2024	230,148	50,948	281,096
2025 - 2029	565,906	191,525	757,431
2030 - 2034	639,145	118,283	757,428
2035 - 2038	<u>570,378</u>	<u>35,564</u>	<u>605,942</u>
Total	<u>\$ 2,901,486</u>	<u>\$ 670,895</u>	<u>\$ 3,572,381</u>

The water fund has been designated as the source to repay the general obligation long-term debt outstanding as of December 31, 2019.

Changes in General Long-Term Liabilities

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

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	Ending <u>Balance</u>	Less Current <u>Portion</u>	Equals Long-Term <u>Portion</u>
Governmental Activities						
Bonds payable ¹	3,753,256	\$ -	\$ (851,770)	\$ 2,901,486	\$ (220,393)	\$ 2,681,093
Net pension liability	6,163,757	98,900	-	6,262,657	-	6,262,657
Net OPEB liability	1,591,058	-	(276,802)	1,314,256	-	1,314,256
Other:						
Compensated absences	567,064	40,435	-	607,499	(60,750)	546,749
Capital leases	20,468	-	(5,712)	14,756	(5,712)	9,044
Subtotal - other	<u>587,532</u>	<u>40,435</u>	<u>(5,712)</u>	<u>622,255</u>	<u>(66,462)</u>	<u>555,793</u>
Totals	\$ <u>12,095,603</u>	\$ <u>139,335</u>	\$ <u>(1,134,284)</u>	\$ <u>11,100,654</u>	\$ <u>(286,855)</u>	\$ <u>10,813,799</u>

¹ The Town executed the supplemental agreement with the State of NH through the Drinking Water State Revolving Fund program during the year. The current year reduction includes a one time principal loan forgiveness of \$ 588,137.

Long-Term Debt Supporting Governmental and Business-Type Activities

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

Deferred Inflows of Resources

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

15. Governmental Funds - Balances

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

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

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

Nonspendable

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

Restricted

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

Committed

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

Assigned

Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and surplus set aside to be used in the subsequent year's budget.

Unassigned

Represents amounts that are available to be spent in future periods and general stabilization fund, and deficit funds.

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Advance to other funds	\$ 141,171	\$ -	\$ 141,171
Nonexpendable permanent funds	<u>-</u>	<u>101,465</u>	<u>101,465</u>
Total Nonexpendable	141,171	101,465	242,636
Restricted			
Special revenue funds			-
Water operations	-	942,839	942,839
Cable fund	-	322,095	322,095
Conservation fund	-	186,381	186,381
Fire Fund	-	74,942	74,942
July 4th Fund	-	8,976	8,976
Library Fund	-	118,683	118,683
Misc. Grants Fund	-	54,706	54,706
OHRV Fund	-		-
Recreation fund	-	163,242	163,242
Roadways fund	-	151,393	151,393
Special Duty Fund	-	115,317	115,317
Other special revenue funds	-	1,746	1,746
Expendable permanent funds	<u>-</u>	<u>385,705</u>	<u>385,705</u>
Total Restricted	-	2,526,025	2,526,025
Committed			
Capital reserve funds	2,825,169	-	2,825,169
Capital project fund	<u>-</u>	<u>46,562</u>	<u>46,562</u>
Total Committed	2,825,169	46,562	2,871,731
Assigned			
Encumbrances			
General government	8,923	-	8,923
Public works	78,738	-	78,738
Capital outlay	<u>190,390</u>	<u>-</u>	<u>190,390</u>
Total Assigned	278,051	-	278,051
Unassigned			
Water Well fund deficit	-	(34,751)	(34,751)
Grants fund deficit	-	(6,969)	(6,969)
Homeland Security fund deficit	-	(816)	(816)
Police Grants fund deficit	-	(3,608)	(3,608)
WWTP fund deficit	-	(141,171)	(141,171)
Unassigned	<u>4,560,713</u>	<u>-</u>	<u>4,560,713</u>
Total Unassigned	<u>4,560,713</u>	<u>(187,315)</u>	<u>4,373,398</u>
Total Fund Balance	<u>\$ 7,805,104</u>	<u>\$ 2,486,737</u>	<u>\$ 10,291,841</u>

16. General Fund Unassigned Fund Balance

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

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

GAAP basis balance	\$ 4,560,713
Unavailable revenue	1,098,726
Allowance for doubtful accounts	(74,337)
Tax deeded property	<u>211,379</u>
Tax Rate Setting Balance	<u>\$ 5,796,481</u>

17. Retirement System

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

Plan Description

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

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

Benefits Provided

Group 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:

<u>Years of creditable service as of 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, and range from 11.08% to 27.79% of covered compensation. The Town’s contributions to NHRS for the year ended December 31, 2019 were \$557,537, which was equal to their annual required contribution.

Summary of Significant Accounting Policies

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

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

At December 31, 2019, the Town reported a liability of \$6,262,657, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions

to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2019, the Town's proportion was .13015600%.

For the year ended December 31, 2019, the Town recognized pension expense of \$757,877. 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	\$ 34,627	\$ 134,665
Changes of assumptions	224,702	-
Net difference between projected and actual earnings on pension plan investments	-	51,157
Changes in proportion and differences between contributions and proportionate share of contributions	125,439	194,257
Contributions subsequent to the measurement date	<u>280,029</u>	<u>-</u>
Total	<u>\$ 664,797</u>	<u>\$ 380,079</u>

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

Year ended December 31:

2020	\$ 181,414
2021	(173,636)
2022	(33,625)
2023	<u>30,536</u>
Total	<u>\$ 4,689</u>

Actuarial Assumptions

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

Price inflation	2.5% per year
Inflation	2.5% per year
Salary increases	5.6% average, including inflation
Wage inflation	3.25%
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study.

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

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

Discount Rate

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

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

The following presents the Town’s proportionate share of the net pension liability calculated using the discount rate of 7.25%, 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 (8.25%) than the current rate:

1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
\$ 8,385,956	\$ 6,262,657	\$ 4,507,767

Pension Plan Fiduciary Net Position

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

18. Other Post-Employment Benefits (GASB 75)

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

Town OPEB Plan

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

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

Plan Membership

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

Inactive employees or beneficiaries	
currently receiving benefit payments under	1
Active employees	<u>50</u>
Total	<u>51</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 using the alternative method as of December 31, 2019, in accordance with the parameters of GASB Statement No. 75. Alternative measurement method valuations of an ongoing plan are allowed for a sole employer with fewer than one hundred total plan members and involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future, similar to broad measurement steps as would be used by an actuarial valuation for plans whose members exceed one hundred. Examples include assumptions about future employment, mortality, and the healthcare cost trend. The alternative measurement method used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	5.6% , average, including inflation
Discount rate	3.13%
Healthcare cost trend rates	8.0% for 2019, fluctuating 0.5% , to an ultimate rate of 4.5% as of 2026 and later years
Retirees' share of benefit-related costs	100%

The discount rate was based on the Fidelity General Obligation AA 20 Year Bond at December 31, 2019.

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

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of the most recent actuarial experience study.

Discount Rate

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

Total OPEB Liability

The Town's total OPEB liability of \$729,803 was measured as of December 31, 2019, and was determined by the alternative method as of December 31, 2019.

Changes in the Total OPEB Liability

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

	Total OPEB <u>Liability</u>
Balances, beginning of year	\$ 978,489
Changes for the year:	
Service cost	83,098
Interest	22,843
Changes in assumptions or other inputs	(268,902)
Benefit payments	<u>(85,725)</u>
Net Changes	<u>(248,686)</u>
Balances, end of year	<u>\$ 729,803</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.71% in 2018 to 3.13% in 2019. All other assumptions were the same as those used in the previous measurement.

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

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

<u>1%</u> <u>Decrease</u>	Current Discount <u>Rate</u>	<u>1%</u> <u>Increase</u>
\$ 964,388	\$ 729,803	\$ 573,841

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>
\$	681,657	\$ 729,803	\$ 781,706

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

For the year ended December 31, 2019, the Town recognized an OPEB expense of \$124,093. At December 31, 2019, the Town did not have any deferred outflows or (inflows) of resources related to the Total OPEB liability.

New Hampshire Retirement System Medical Subsidy Plan Description

General Information about the OPEB Plan

Plan Description

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

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

Benefits Provided

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

subsidy. The eligibility requirements for receiving OPEB Plan benefits differ for Group I and Group II members. The monthly Medical Subsidy rates are:

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

Contributions

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

Actuarial Assumptions and Other Inputs

The Town's proportionate share of the NHRS Medical Subsidy as of December 31, 2019 is based upon an actuarial valuation performed as of June 30, 2018 (rolled forward to June 30, 2019) using a measurement date of June 30, 2018. The actuarial valuation used the following actuarial assumptions:

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

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

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent experience study.

Net OPEB Liability, Expense, and Deferred Outflows and (Inflows)

The Town's proportionate share of the net NHRS Medical Subsidy (net OPEB liability) as of the measurement date of June 30, 2019 was \$584,453, representing .133331157%.

For the year ended December 31, 2019, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$75,395. At December 31, 2019, the Town reported deferred outflows and inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ (1,017)
Changes in proportion	-	(235)
Net difference between projected and actual OPEB investment earnings	-	(657)
Contributions subsequent to the measurement date	<u>28,201</u>	<u>-</u>
Total	<u>\$ 28,201</u>	<u>\$ (1,909)</u>

The amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the fiscal year will be included as a reduction of the net OPEB liability in the year ending December 31, 2020.

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

<u>Fiscal Year Ended:</u>	
2020	\$ (1,687)
2021	(436)
2022	45
2023	<u>169</u>
Total	<u>\$ (1,909)</u>

Sensitivity of the Net NHRS Medical Subsidy OPEB Liability to Changes in the Discount Rate
 The following presents the net OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

	1% <u>Decrease</u>	Current Discount <u>Rate</u>	1% <u>Increase</u>
\$	633,928	\$ 584,453	\$ 541,462

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)

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

	Total/Net OPEB <u>Liability</u>	Total Deferred Outflows of <u>Resources</u>	Total Deferred (Inflows) of <u>Resources</u>	Total OPEB <u>Expense</u>
Town OPEB Plan	\$ 729,803	\$ -	\$ -	\$ 124,093
Proportionate share of NHRS Medical Subsidy Plan	<u>584,453</u>	<u>28,201</u>	<u>1,909</u>	<u>75,395</u>
Total	<u>\$ 1,314,256</u>	<u>\$ 28,201</u>	<u>\$ 1,909</u>	<u>\$ 199,488</u>

19. Subsequent Events

COVID-19

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

20. Commitments and Contingencies

Outstanding Legal Issues

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

Grants

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

Encumbrances

At year-end the Town's general fund has \$278,051 in encumbrances that will be honored in the next fiscal year.

21. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, Fiduciary Activities, as now permitted by Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance for the Town beginning with its year ending December 31, 2020. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported, and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, Leases, effective for the Town beginning with its fiscal year ending June 30, 2021. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

TOWN OF RAYMOND, NEW HAMPSHIRE

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

New Hampshire Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
December 31, 2019	June 30, 2019	0.13015600%	\$ 6,262,657	\$ 3,333,842	187.85%	65.59%
December 31, 2018	June 30, 2018	0.12800619%	\$ 6,163,757	\$ 3,143,797	196.06%	64.73%
December 31, 2017	June 30, 2017	0.13324495%	\$ 6,552,977	\$ 3,024,562	216.66%	62.66%
December 31, 2016	June 30, 2016	0.13646539%	\$ 7,256,677	\$ 2,994,610	242.32%	58.30%
December 31, 2015	June 30, 2015	0.13348816%	\$ 5,288,170	\$ 2,881,837	183.50%	65.50%

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

See Independent Auditors' Report.

TOWN OF RAYMOND, NEW HAMPSHIRE

Required Supplementary Information
 Schedule of Pension Contributions (GASB 68)
 (Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2019	June 30, 2019	\$ 557,537	\$ 557,537		\$ 3,327,805	16.75%
December 31, 2018	June 30, 2018	\$ 569,690	\$ 569,690	\$ -	\$ 3,334,443	17.09%
December 31, 2017	June 30, 2017	\$ 503,025	\$ 503,025	\$ -	\$ 3,032,281	16.59%
December 31, 2016	June 30, 2016	\$ 482,739	\$ 482,739	\$ -	\$ 2,967,656	16.27%
December 31, 2015	June 30, 2015	\$ 463,802	\$ 463,802	\$ -	\$ 2,911,037	15.93%

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

See Independent Auditors' Report.

TOWN OF RAYMOND, NEW HAMPSHIRE

Required Supplementary Information
Schedules of Proportionate Share and Contributions of the Net OPEB Liability (GASB 75)
(Unaudited)

Schedule of Proportionate Share

New Hampshire Retirement System Medical Subsidy

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Net OPEB Liability</u>
December 31, 2019	June 30, 2019	0.13331157%	\$584,453	\$ 3,333,842	17.53%	7.75%
December 31, 2018	June 30, 2018	0.13379384%	\$612,569	\$ 3,143,797	19.49%	7.53%
December 31, 2017	June 30, 2017	0.09359866%	\$427,965	\$ 3,024,562	14.15%	7.91%

Schedule of Contributions

New Hampshire Retirement System Medical Subsidy

<u>Fiscal Year</u>	<u>Valuation Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions Relative to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
December 31, 2019	June 30, 2019	\$ 57,328	\$ 57,328	\$ -	\$ 3,327,805	1.72%
December 31, 2018	June 30, 2018	\$ 61,998	\$ 61,998	\$ -	\$ 3,334,443	1.86%
December 31, 2017	June 30, 2017	\$ 55,768	\$ 55,768	\$ -	\$ 3,032,281	1.84%

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

See Independent Auditors' Report.

TOWN OF RAYMOND, NEW HAMPSHIRE

Required Supplementary Information
 Other Post-Employment Benefits (OPEB)
 Schedule of Changes in the Total OPEB Liability (GASB 75)
 (Unaudited)

	<u>2019</u>	<u>2018</u>
Total OPEB liability		
Service cost	\$ 83,098	\$ 95,599
Interest on unfunded liability - time value of money	22,843	36,309
Changes of assumptions	(268,902)	(234,531)
Benefit payments, including refunds of member contributions	<u>(85,725)</u>	<u>(98,646)</u>
Net change in total OPEB liability	(248,686)	(201,269)
Total OPEB liability - beginning	<u>978,489</u>	<u>1,179,758</u>
Total OPEB liability - ending	<u>\$ 729,803</u>	<u>\$ 978,489</u>

Does not include New Hampshire Retirement System Medical Subsidy.

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

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

See Independent Auditors' Report.