



TOWN OF GORHAM, NEW HAMPSHIRE

Financial Statements
For the Year Ended December 31, 2020

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Gorham, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Gorham, New Hampshire (the Town), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Gorham, New Hampshire, as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 18 to the financial statements, in 2020 the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the budgetary comparison for the General Fund, and certain 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
June 7, 2022

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Gorham, New Hampshire (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2020.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

Proprietary Funds

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

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

Fiduciary Funds

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

Notes to Financial Statements

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

Required Supplementary Information (Other Than MD&A)

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

Financial Highlights

- As of the close of the current year, net position in governmental activities was \$24,060,184, a change of \$320,755, and net position in business-type activities was \$21,573,377, a change of \$(160,571).
- As of the close of the current year, governmental funds reported combined ending fund balances of \$4,272,392, a change of \$1,308,860 in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$2,016,318, a change of \$1,043,505 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 Activities		Business-Type Activities		Total	
	2020	2019	2020	2019	2020	2019
Current assets	\$ 6,019,369	\$ 5,858,612	\$ 411,008	\$ 426,688	\$ 6,430,377	\$ 6,285,300
Noncurrent assets	<u>23,433,908</u>	<u>23,675,751</u>	<u>21,834,699</u>	<u>21,861,340</u>	<u>45,268,607</u>	<u>45,537,091</u>
Total assets	29,453,277	29,534,363	22,245,707	22,288,028	51,698,984	51,822,391
Deferred outflows of resources	760,572	264,898	118,527	40,020	879,099	304,918
Current liabilities	1,852,198	2,385,637	111,348	32,191	1,963,546	2,417,828
Noncurrent liabilities	<u>3,994,532</u>	<u>3,331,804</u>	<u>631,677</u>	<u>510,179</u>	<u>4,626,209</u>	<u>3,841,983</u>
Total liabilities	5,846,730	5,717,441	743,025	542,370	6,589,755	6,259,811
Deferred inflows of resources	306,935	342,391	47,832	51,730	354,767	394,121
Net investment in capital assets	23,069,747	23,258,023	21,930,243	21,930,395	44,999,990	45,188,418
Restricted	619,818	577,959	-	-	619,818	577,959
Unrestricted	<u>370,619</u>	<u>(96,553)</u>	<u>(356,866)</u>	<u>(196,447)</u>	<u>13,753</u>	<u>(293,000)</u>
Total net position	<u>\$ 24,060,184</u>	<u>\$ 23,739,429</u>	<u>\$ 21,573,377</u>	<u>\$ 21,733,948</u>	<u>\$ 45,633,561</u>	<u>\$ 45,473,377</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 year, total net position was \$45,633,561, a change of \$160,184 in comparison to the prior year.

The largest portion of net position \$44,999,990 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 \$618,985 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a surplus of \$14,586.

CHANGES IN NET POSITION

	Governmental Activities		Business-Type Activities		Total	
	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>	<u>2020</u>	<u>2019</u>
	Revenues:					
Program revenues:						
Charges for services	\$ 581,343	\$ 648,528	\$ 847,118	\$ 889,053	\$ 1,428,461	\$ 1,537,581
Operating grants and contributions	1,270,342	174,613	125	-	1,270,467	174,613
General revenues:						
Property taxes	3,347,864	3,060,207	-	-	3,347,864	3,060,207
Motor vehicle permits	685,440	667,889	-	-	685,440	667,889
Penalties, interest and other taxes	113,580	203,860	-	-	113,580	203,860
Grants and contributions not restricted to specific programs	233,001	214,753	-	-	233,001	214,753
Investment income	25,569	31,161	15,159	440	40,728	31,601
Miscellaneous	54,817	10,998	-	-	54,817	10,998
Total revenues	<u>6,311,956</u>	<u>5,012,009</u>	<u>862,402</u>	<u>889,493</u>	<u>7,174,358</u>	<u>5,901,502</u>
Expenses:						
General government	1,060,060	1,319,542	-	-	1,060,060	1,319,542
Public safety	1,848,635	1,391,602	-	-	1,848,635	1,391,602
Highways and streets	2,208,449	1,573,675	-	-	2,208,449	1,573,675
Sanitation	302,414	409,284	-	-	302,414	409,284
Health and human services	117,479	67,356	-	-	117,479	67,356
Welfare	4,423	5,253	-	-	4,423	5,253
Culture and recreation	433,794	512,515	-	-	433,794	512,515
Conservation	129	-	-	-	129	-
Interest on long-term debt	15,818	14,619	-	-	15,818	14,619
Water services	-	-	572,353	490,078	572,353	490,078
Sewer services	-	-	450,620	471,997	450,620	471,997
Total expenses	<u>5,991,201</u>	<u>5,293,846</u>	<u>1,022,973</u>	<u>962,075</u>	<u>7,014,174</u>	<u>6,255,921</u>
Change in net position	320,755	(281,837)	(160,571)	(72,582)	160,184	(354,419)
Net position - beginning of year	<u>23,739,429</u>	<u>24,021,266</u>	<u>21,733,948</u>	<u>21,806,530</u>	<u>45,473,377</u>	<u>45,827,796</u>
Net position - end of year	<u>\$ 24,060,184</u>	<u>\$ 23,739,429</u>	<u>\$ 21,573,377</u>	<u>\$ 21,733,948</u>	<u>\$ 45,633,561</u>	<u>\$ 45,473,377</u>

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$320,755. Key elements of this change are as follows:

General fund operations	\$ 874,972
Depreciation in excess of principal debt service	(687,690)
Change in pension expense from GASB 68	(167,773)
Change in OPEB expense from GASB 75	12,431
Other	<u>288,815</u>
Total	<u>\$ 320,755</u>

Business-Type Activities

Business-type activities for the year resulted in a change in net position of \$(160,571). Key elements of this change are as follows:

Water operations	\$ (112,838)
Sewer operations	<u>(47,733)</u>
Total	<u>\$ (160,571)</u>

Financial Analysis of the Town's Funds

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

Governmental Funds

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

General Fund

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$2,016,318, while total fund balance was \$3,696,072. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/20</u>	<u>12/31/19</u>	<u>Change</u>	<u>% of General Fund Expenditures</u>
Unassigned fund balance	\$ 2,016,318	\$ 972,813	\$ 1,043,505	44.4%
Total fund balance	\$ 3,696,072	\$ 2,821,100	\$ 874,972	81.4%

The total fund balance of the general fund changed by \$874,972 during the current year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (365,727)
Revenues in excess of budget	1,019,827
Expenditures less than appropriations	143,184
Expenditures of prior year encumbrances in excess of current year encumbrances	(31,866)
Change in capital reserves	(136,667)
Other	<u>246,221</u>
Total	\$ <u>874,972</u>

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

	<u>12/31/20</u>	<u>12/31/19</u>	<u>Change</u>
General capital reserves	\$ 1,625,888	\$ 1,762,555	\$ (136,667)

Major Fund

The *grants fund* is used to account for activities related to various projects funded in whole or in part by federal, state, and/or local grants.

Nonmajor Governmental Funds

The fund balances of the nonmajor governmental funds changed by \$41,026, primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

Proprietary funds

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

Unrestricted net position of the enterprise funds at the end of the year amounted to \$(356,866), a change of \$(84,385) in comparison to the prior year.

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

General Fund Budgetary Highlights

There was no difference between the original budget and the final amended budget.

Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$44,891,695 (net of accumulated depreciation). This investment in capital assets includes land, construction in progress, buildings, improvements, machinery, equipment and furnishings, vehicles and infrastructure.

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

Fixed Asset Additions:

Governmental:

M2-106 Tanker Fire Truck	\$ 229,300
International HV507	\$ 85,000
Ford Explorer Interceptor	\$ 33,099

Fixed Asset Disposals:

Governmental:

Kenworth Tanker Fire Truck	\$ 150,000
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Additional information on capital assets can be found in the Notes to Financial Statements.

Long-Term Debt

At the end of the current year, the Town had no bonded debt outstanding.

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

Requests for Information

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

Office of Town Manager
Town of Gorham
20 Park Street
Gorham, New Hampshire 03581

TOWN OF GORHAM, NEW HAMPSHIRE

Statement of Net Position
December 31, 2020

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
Assets			
Current:			
Cash and short-term investments	\$ 5,214,951	\$ 356,540	\$ 5,571,491
Receivables, net of allowance for uncollectibles:			
Property taxes	735,550	-	735,550
User fees receivable	41,328	27,277	68,605
Departmental and other	10,086	-	10,086
Other assets	<u>17,454</u>	<u>27,191</u>	<u>44,645</u>
Total Current Assets	6,019,369	411,008	6,430,377
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	376,912	-	376,912
Capital assets:			
Land and construction in progress	3,299,268	851,800	4,151,068
Other capital assets, net of accumulated depreciation	<u>19,757,728</u>	<u>20,982,899</u>	<u>40,740,627</u>
Total Noncurrent Assets	<u>23,433,908</u>	<u>21,834,699</u>	<u>45,268,607</u>
Total Assets	29,453,277	22,245,707	51,698,984
Deferred Outflows of Resources			
Related to pensions	750,162	116,905	867,067
Related to OPEB	<u>10,410</u>	<u>1,622</u>	<u>12,032</u>
Total Deferred Outflows of Resources	760,572	118,527	879,099
Liabilities			
Current:			
Accounts payable	268,786	-	268,786
Accrued liabilities	34,376	29,900	64,276
Tax refunds payable	549,014	-	549,014
Due to other governments	4,800	-	4,800
Due to external parties	941,305	79,042	1,020,347
Other current liabilities	12,947	-	12,947
Current portion of long-term liabilities:			
Loans payable	11,816	-	11,816
Capital leases	25,923	-	25,923
Compensated absences	<u>3,231</u>	<u>2,406</u>	<u>5,637</u>
Total Current Liabilities	1,852,198	111,348	1,963,546
Noncurrent:			
Capital leases, net of current portion	26,913	-	26,913
Compensated absences, net of current portion	29,081	21,653	50,734
Net pension liability	3,361,552	523,865	3,885,417
Net OPEB liability	<u>576,986</u>	<u>86,159</u>	<u>663,145</u>
Total Noncurrent Liabilities	<u>3,994,532</u>	<u>631,677</u>	<u>4,626,209</u>
Total Liabilities	5,846,730	743,025	6,589,755
Deferred Inflows of Resources			
Related to pensions	303,424	47,285	350,709
Related to OPEB	<u>3,511</u>	<u>547</u>	<u>4,058</u>
Total Deferred Inflows of Resources	306,935	47,832	354,767
Net Position			
Net investment in capital assets	23,069,747	21,930,243	44,999,990
Restricted for:			
Grants and other statutory restrictions	299,134	-	299,134
Permanent funds:			
Nonexpendable	317,544	-	317,544
Expendable	3,140	-	3,140
Unrestricted	<u>370,619</u>	<u>(356,866)</u>	<u>13,753</u>
Total Net Position	<u>\$ 24,060,184</u>	<u>\$ 21,573,377</u>	<u>\$ 45,633,561</u>

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

TOWN OF GORHAM, NEW HAMPSHIRE

Statement of Activities
For the Year Ended December 31, 2020

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expenses) Revenues and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Governmental Activities							
General government	\$ 1,060,060	\$ 68,938	\$ -	\$ -	\$ (991,122)	\$ -	\$ (991,122)
Public safety	1,848,635	418,322	24,582	-	(1,405,731)	-	(1,405,731)
Highways and streets	2,208,449	27,148	246,566	-	(1,934,735)	-	(1,934,735)
Sanitation	302,414	25,307	-	-	(277,107)	-	(277,107)
Health and human services	117,479	-	116,786	-	(693)	-	(693)
Welfare	4,423	-	-	-	(4,423)	-	(4,423)
Culture and recreation	433,794	41,628	881,317	-	489,151	-	489,151
Conservation	129	-	1,091	-	962	-	962
Interest on long-term debt	<u>15,818</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,818)</u>	<u>-</u>	<u>(15,818)</u>
Total Governmental Activities	5,991,201	581,343	1,270,342	-	(4,139,516)	-	(4,139,516)
Business-Type Activities							
Water services	572,353	458,271	125	-	-	(113,957)	(113,957)
Sewer services	<u>450,620</u>	<u>388,847</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(61,773)</u>	<u>(61,773)</u>
Total Business-Type Activities	<u>1,022,973</u>	<u>847,118</u>	<u>125</u>	<u>-</u>	<u>-</u>	<u>(175,730)</u>	<u>(175,730)</u>
Total	<u>\$ 7,014,174</u>	<u>\$ 1,428,461</u>	<u>\$ 1,270,467</u>	<u>\$ -</u>	(4,139,516)	(175,730)	(4,315,246)
General Revenues							
					3,347,864	-	3,347,864
					685,440	-	685,440
					113,580	-	113,580
					233,001	-	233,001
					25,569	15,159	40,728
					<u>54,817</u>	<u>-</u>	<u>54,817</u>
Total general revenues					<u>4,460,271</u>	<u>15,159</u>	<u>4,475,430</u>
Change in Net Position					320,755	(160,571)	160,184
Net Position							
Beginning of year					<u>23,739,429</u>	<u>21,733,948</u>	<u>45,473,377</u>
End of year					<u>\$ 24,060,184</u>	<u>\$ 21,573,377</u>	<u>\$ 45,633,561</u>

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

TOWN OF GORHAM, NEW HAMPSHIRE

Governmental Funds
Balance Sheet
December 31, 2020

	General <u>Fund</u>	Grants <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets				
Cash and short-term investments	\$ 4,888,477	\$ -	\$ 326,474	\$ 5,214,951
Receivables:				
Property taxes	1,262,217	-	-	1,262,217
User fees receivable	82,656	-	-	82,656
Departmental and other	6,972	-	3,114	10,086
Due from other funds	<u>-</u>	<u>-</u>	<u>290,230</u>	<u>290,230</u>
Total Assets	\$ <u>6,240,322</u>	\$ <u>-</u>	\$ <u>619,818</u>	\$ <u>6,860,140</u>
Liabilities				
Accounts payable	\$ 268,786	\$ -	\$ -	\$ 268,786
Accrued liabilities	32,158	-	-	32,158
Tax refunds payable	549,014	-	-	549,014
Due to other governments	-	4,800	-	4,800
Due to other funds	<u>1,192,838</u>	<u>37,865</u>	<u>833</u>	<u>1,231,536</u>
Total Liabilities	2,056,793	42,665	833	2,100,291
Deferred Inflows of Resources				
Unavailable revenues	487,457	-	-	487,457
Fund Balances				
Nonspendable	-	-	317,544	317,544
Restricted	-	3,386	224,871	228,257
Committed	1,625,888	-	77,403	1,703,291
Assigned	53,866	-	-	53,866
Unassigned	<u>2,016,318</u>	<u>(46,051)</u>	<u>(833)</u>	<u>1,969,434</u>
Total Fund Balances	<u>3,696,072</u>	<u>(42,665)</u>	<u>618,985</u>	<u>4,272,392</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>6,240,322</u>	\$ <u>-</u>	\$ <u>619,818</u>	\$ <u>6,860,140</u>

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

TOWN OF GORHAM, NEW HAMPSHIRE

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
in the Statement of Net Position
December 31, 2020

Total governmental fund balances	\$ 4,272,392
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	23,056,996
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	296,374
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Loans payable	(11,816)
Pension liability, net of related deferred outflows and inflows of resources	(2,914,814)
OPEB liability, net of related deferred outflows and inflows of resources	(570,087)
Capital leases	(52,836)
Compensated absences	(32,312)
Other	<u>16,287</u>
Net position of governmental activities	<u>\$ 24,060,184</u>

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

TOWN OF GORHAM, NEW HAMPSHIRE

Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended December 31, 2020

	General <u>Fund</u>	Grants <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues				
Property taxes	\$ 3,985,687	\$ -	\$ -	\$ 3,985,687
Penalties, interest and other taxes	113,580	-	-	113,580
Charges for services	428,536	-	91,251	519,787
Intergovernmental	233,001	1,269,251	-	1,502,252
Licenses and permits	746,996	-	-	746,996
Investment income	17,268	-	8,301	25,569
Miscellaneous	<u>54,817</u>	<u>-</u>	<u>1,091</u>	<u>55,908</u>
Total Revenues	5,579,885	1,269,251	100,643	6,949,779
Expenditures				
General government	1,068,878	2,474	-	1,071,352
Public safety	1,386,610	24,755	9,443	1,420,808
Highways and streets	946,920	740,460	-	1,687,380
Sanitation	266,867	-	15,666	282,533
Health and human services	8,779	108,700	-	117,479
Welfare	4,423	-	-	4,423
Culture and recreation	204,721	-	199,438	404,159
Conservation	129	-	-	129
Debt service:				
Principal	48,708	-	-	48,708
Interest	4,610	-	-	4,610
Capital outlay	<u>599,338</u>	<u>-</u>	<u>-</u>	<u>599,338</u>
Total Expenditures	<u>4,539,983</u>	<u>876,389</u>	<u>224,547</u>	<u>5,640,919</u>
Excess (deficiency) of revenues over expenditures	1,039,902	392,862	(123,904)	1,308,860
Other Financing Sources (Uses)				
Transfers in	-	-	165,010	165,010
Transfers out	<u>(164,930)</u>	<u>-</u>	<u>(80)</u>	<u>(165,010)</u>
Total Other Financing Sources (Uses)	<u>(164,930)</u>	<u>-</u>	<u>164,930</u>	<u>-</u>
Change in fund balance	874,972	392,862	41,026	1,308,860
Fund Balance, at Beginning of Year	<u>2,821,100</u>	<u>(435,527)</u>	<u>577,959</u>	<u>2,963,532</u>
Fund Balance, at End of Year	<u>\$ 3,696,072</u>	<u>\$ (42,665)</u>	<u>\$ 618,985</u>	<u>\$ 4,272,392</u>

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

TOWN OF GORHAM, 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, 2020

Net changes in fund balances - total governmental funds	\$ 1,308,860
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>	
Capital outlay, net of disposals	478,022
Depreciation	(737,787)
<p>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:</p>	
Repayments of direct loans	12,597
Repayments of capital leases	37,500
<p>Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate, etc.) differ between the two statements. This amount represents the net change in deferred revenue.</p>	
	(555,454)
<p>Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:</p>	
Change in pension expense from GASB 68	(167,773)
Change in OPEB expense from GASB 75	12,431
Other	<u>(67,641)</u>
Change in net position of governmental activities	\$ <u>320,755</u>

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

TOWN OF GORHAM, NEW HAMPSHIRE

Proprietary Funds
Statement of Net Position
December 31, 2020

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Assets			
Current:			
Cash and short-term investments	\$ 166,247	\$ 190,293	\$ 356,540
User fees receivable, net of allowance for uncollectibles	23,490	3,787	27,277
Other assets	27,191	-	27,191
Total current assets	216,928	194,080	411,008
Noncurrent:			
Capital assets:			
Land and construction in progress	576,020	275,780	851,800
Other capital assets, net of accumulated depreciation	12,222,182	8,760,717	20,982,899
Total noncurrent assets	12,798,202	9,036,497	21,834,699
Total Assets	13,015,130	9,230,577	22,245,707
Deferred Outflows of Resources			
Related to pensions	68,338	48,567	116,905
Related to OPEB	948	674	1,622
Total Deferred Outflows of Resources	69,286	49,241	118,527
Liabilities			
Current:			
Accrued liabilities	22,036	7,864	29,900
Due to other funds	42,580	36,462	79,042
Current portion of long-term liabilities:			
Compensated absences	1,746	660	2,406
Total current liabilities	66,362	44,986	111,348
Noncurrent:			
Compensated absences	15,712	5,941	21,653
Net pension liability	306,225	217,640	523,865
Net OPEB liability	49,524	36,635	86,159
Total noncurrent liabilities	371,461	260,216	631,677
Total Liabilities	437,823	305,202	743,025
Deferred Inflows of Resources			
Related to pensions	27,641	19,644	47,285
Related to OPEB	319	228	547
Total Deferred Inflows of Resources	27,960	19,872	47,832
Net Position			
Net investment in capital assets	12,893,746	9,036,497	21,930,243
Unrestricted	(275,113)	(81,753)	(356,866)
Total Net Position	\$ 12,618,633	\$ 8,954,744	\$ 21,573,377

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

TOWN OF GORHAM, NEW HAMPSHIRE

Proprietary Funds
Statement of Revenues, Expenses, and Changes in Fund Net Position
For the Year Ended December 31, 2020

	Business-Type Activities		
	Enterprise Funds		
	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 458,271	\$ 388,847	\$ 847,118
Total Operating Revenues	458,271	388,847	847,118
Operating Expenses			
Salaries and benefits	336,499	177,683	514,182
Other operating expenses	223,118	259,032	482,150
Depreciation	12,736	13,905	26,641
Total Operating Expenses	572,353	450,620	1,022,973
Operating Income (Loss)	(114,082)	(61,773)	(175,855)
Nonoperating Revenues (Expenses)			
Intergovernmental revenue	125	-	125
Investment income	1,119	14,040	15,159
Total Nonoperating Revenues (Expenses), Net	1,244	14,040	15,284
Income (Loss) Before Transfers	(112,838)	(47,733)	(160,571)
Change in Net Position	(112,838)	(47,733)	(160,571)
Net Position at Beginning of Year	12,731,471	9,002,477	21,733,948
Net Position at End of Year	\$ 12,618,633	\$ 8,954,744	\$ 21,573,377

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

TOWN OF GORHAM, NEW HAMPSHIRE

Proprietary Funds
Statement of Cash Flows
For the Year Ended December 31, 2020

	Business-Type Activities		
	Enterprise Funds		
	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Total</u>
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 455,795	\$ 392,993	\$ 848,788
Payments to employees	(336,499)	(177,683)	(514,182)
Payments to vendors	<u>(179,132)</u>	<u>(263,810)</u>	<u>(442,942)</u>
Net Cash Provided By (Used For) Operating Activities	(59,836)	(48,500)	(108,336)
Cash Flows From Noncapital Financing Activities			
Intergovernmental receipt	<u>13,788</u>	<u>19,705</u>	<u>33,493</u>
Net Cash Provided By (Used For) Noncapital Financing Activities	13,788	19,705	33,493
Cash Flows From Investing Activities			
Investment income	<u>1,244</u>	<u>14,040</u>	<u>15,284</u>
Net Cash Provided By (Used For) Investing Activities	<u>1,244</u>	<u>14,040</u>	<u>15,284</u>
Net Change in Cash and Short-Term Investments	(44,804)	(14,755)	(59,559)
Cash and Short-Term Investments, Beginning of Year	<u>211,051</u>	<u>205,048</u>	<u>416,099</u>
Cash and Short-Term Investments, End of Year	\$ <u><u>166,247</u></u>	\$ <u><u>190,293</u></u>	\$ <u><u>356,540</u></u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities			
Operating income (loss)	\$ (114,082)	\$ (61,773)	\$ (175,855)
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities:			
Depreciation	12,736	13,905	26,641
Changes in assets, liabilities, and deferred outflows/inflows:			
User fee receivables	(2,476)	4,146	1,670
Deferred outflows - related to pensions	(47,545)	(30,645)	(78,190)
Deferred outflows - related to OPEB	(248)	(69)	(317)
Net pension liability	90,112	31,353	121,465
Net OPEB liability	658	(1,655)	(997)
Deferred inflows - related to pensions	62	(4,128)	(4,066)
Deferred inflows - related to OPEB	116	52	168
Other liabilities	<u>831</u>	<u>314</u>	<u>1,145</u>
Net Cash Provided By (Used For) Operating Activities	\$ <u><u>(59,836)</u></u>	\$ <u><u>(48,500)</u></u>	\$ <u><u>(108,336)</u></u>

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

TOWN OF GORHAM, NEW HAMPSHIRE

Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2020

	Custodial <u>Fund</u>
Assets	
Due from external parties	\$ <u>1,020,348</u>
Total Assets	1,020,348
Liabilities	
Due to external parties	<u>1,020,348</u>
Total Liabilities	\$ <u><u>1,020,348</u></u>

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

TOWN OF GORHAM, NEW HAMPSHIRE

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2020

	Custodial <u>Fund</u>
Additions	
Taxes collected for School Districts	\$ 4,020,420
Taxes collected for County	1,294,837
Taxes collected for State of New Hampshire	<u>217,132</u>
Total additions	5,532,389
Deductions	
Payment of taxes to School Districts	4,020,420
Payment of taxes to County	1,294,837
Payment of fees to State of New Hampshire	<u>217,132</u>
Total deductions	<u>5,532,389</u>
Net increase (decrease)	-
Restricted Net Position	
Beginning of year	<u>-</u>
End of year	\$ <u><u>-</u></u>

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

TOWN OF GORHAM, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Gorham, New Hampshire (the Town) conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by Generally Accepted Accounting Principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In the year 2020, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current 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 Town reports the following major governmental funds:

- The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Grants Fund* is used to account for activities related to various projects funded in whole or in part by federal, state, and/or local grants.

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and

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

The Town reports the following major proprietary funds:

- The *Water Fund* accounts for water services provided to the Town's residents.
- The *Sewer Fund* accounts for sewerage treatment services provided to the Town's residents.

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

Cash and Investments

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

Deposits with financial institutions consist primarily of demand deposits and savings accounts. Generally, 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".

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

The Town invests in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool managed by the State Banking Commission. The portfolio meets the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and investments are valued at amortized cost.

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 year are referred to as either “due from/to other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 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.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	30 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

Compensated Absences

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

Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities or business-type 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 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 revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Town’s budget is originally prepared by the Selectmen’s Office with the cooperation of the various department heads. It is then submitted to the Budget Committee, in accordance

with Municipal Budget Law. After reviewing the budget, the Budget 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 (i.e., legal level of control); however, they have the power to reclassify its components when necessary.

Deficit Fund Equity

The Grants Fund reflected a deficit balance as of December 31, 2020.

It is anticipated that the deficit in this fund will be eliminated through future grant revenues.

3. Deposits

State statute RSA 48:16 places certain limitation on the nature of deposits and investments available to the Town. Deposits may be made in the New Hampshire Public Deposit Investment Pool (NHPDIP), in New Hampshire Banks or banks outside the State of New Hampshire if such banks pledge and deliver to a third-party custodial bank with various collateralized security, in accordance with RSA 383:22. NHPDIP is under the control of the New Hampshire Banking Commission and Advisory Committee. Participation units of the NHPDIP are considered short-term for financial presentation purposes due to high liquidity of NHPDIP and are carried at amortized cost in accordance with GASB Statement 79.

Custodial Credit Risk

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

As of December 31, 2020, none of the Town's bank balance of \$5,293,304 was exposed to custodial credit risk as uninsured and/or uncollateralized. The amount consists of cash and cash equivalents and investments invested in U.S. Treasury and agencies, held by the Town's Trustees of Trust Funds.

4. Property Taxes Receivable

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the year for which taxes have been levied. Property taxes are due on July 1 and December 1. Delinquent accounts are charged 8% interest. In March of the next year, a lien is

recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs, and accrued interest. The accounts that are liened by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 14%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Property taxes receivable reported in the government-wide financial statements are net of an allowance for doubtful accounts of \$149,755.

Property taxes receivables at December 31, 2020 consist of the following:

	Gross Amount <u>(fund basis)</u>	Allowance for Doubtful <u>Accounts</u>	Current <u>Portion</u>	Long- Term <u>Portion</u>
Real estate taxes	\$ 735,550	\$ -	\$ 735,550	\$ -
Tax liens	<u>526,667</u>	<u>149,755</u>	<u>-</u>	<u>376,912</u>
Total property taxes	\$ <u>1,262,217</u>	\$ <u>149,755</u>	\$ <u>735,550</u>	\$ <u>376,912</u>

Taxes Collected for Others

The Town collects taxes for the State of New Hampshire, the Gorham Randolph Shelburne Cooperative School District, and the County of Coos. Payments to the other taxing units are normally made throughout the year. The ultimate responsibility for the collection of taxes rests with the Town.

5. User Fees Receivable

Receivables for user charges and betterments at December 31, 2020 consist of the following:

	Gross <u>Amount</u>	Allowance for Doubtful <u>Accounts</u>	Net <u>Amount</u>
Water	\$ 24,773	\$ (1,283)	\$ 23,490
Sewer	5,101	(1,314)	3,787
Ambulance	<u>82,656</u>	<u>(41,328)</u>	<u>41,328</u>
Total	\$ <u>112,530</u>	\$ <u>(43,925)</u>	\$ <u>68,605</u>

6. Interfund Accounts

Receivables/Payables

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

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ -	\$ 1,192,838
Grants Fund	-	37,865
Nonmajor Governmental Funds:		
Special Revenue Funds:		
DARE	4,394	-
Drug Forfeiture	2,369	-
Forestry	58,677	-
Library	64,454	-
MV Reclamation	2,405	-
Recreation	80,528	-
Capital Project Funds:		
Transportation	77,403	-
Multi-Modal Rte	-	833
Subtotal	290,230	833
Enterprise Funds:		
Water	-	42,580
Sewer	-	36,462
Custodial Funds	<u>1,020,348</u>	-
Total	<u>\$ 1,310,578</u>	<u>\$ 1,310,578</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 major interfund transfers:

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 164,930
Nonmajor Governmental Funds:		
Special Revenue Funds:		
DARE	3,000	-
Library	162,010	-
Permanent Trust Funds:	-	80
Subtotal	<u>165,010</u>	<u>80</u>
Grand Total	<u>\$ 165,010</u>	<u>\$ 165,010</u>

The Town's 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.

7. Capital Assets

Capital asset activity for the year ended December 31, 2020 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 6,156,657	\$ -	\$ -	\$ 6,156,657
Machinery, equipment, and furnishings	510,729	-	-	510,729
Vehicles	2,453,693	370,695	(150,000)	2,674,388
Infrastructure	<u>20,916,871</u>	<u>-</u>	<u>-</u>	<u>20,916,871</u>
Total capital assets, being depreciated	30,037,950	370,695	(150,000)	30,258,645
Less accumulated depreciation for:				
Buildings and improvements	(2,544,247)	(68,215)	-	(2,612,462)
Machinery, equipment, and furnishings	(451,926)	(119,661)	150,000	(421,587)
Vehicles	(1,735,323)	(25,063)	-	(1,760,386)
Infrastructure	<u>(5,181,634)</u>	<u>(524,848)</u>	<u>-</u>	<u>(5,706,482)</u>
Total accumulated depreciation	<u>(9,913,130)</u>	<u>(737,787)</u>	<u>150,000</u>	<u>(10,500,917)</u>
Total capital assets, being depreciated, net	20,124,820	(367,092)	-	19,757,728
Capital assets, not being depreciated:				
Land	1,951,276	-	-	1,951,276
Construction in progress	<u>1,240,665</u>	<u>107,327</u>	<u>-</u>	<u>1,347,992</u>
Total capital assets, not being depreciated	<u>3,191,941</u>	<u>107,327</u>	<u>-</u>	<u>3,299,268</u>
Governmental activities capital assets, net	<u>\$ 23,316,761</u>	<u>\$ (259,765)</u>	<u>\$ -</u>	<u>\$ 23,056,996</u>

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Business-Type Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,738,200	\$ -	\$ -	\$ 2,738,200
Machinery, equipment, and furnishings	445,282	-	-	445,282
Vehicles	283,688	-	-	283,688
Infrastructure	<u>28,911,312</u>	<u>-</u>	<u>-</u>	<u>28,911,312</u>
Total capital assets, being depreciated	32,378,482	-	-	32,378,482
Less accumulated depreciation for:				
Buildings and improvements	(2,721,201)	(300)	-	(2,721,501)
Machinery, equipment, and furnishings	(291,511)	(7,841)	-	(299,352)
Vehicles	(266,109)	(1,367)	-	(267,476)
Infrastructure	<u>(8,090,121)</u>	<u>(17,133)</u>	<u>-</u>	<u>(8,107,254)</u>
Total accumulated depreciation	<u>(11,368,942)</u>	<u>(26,641)</u>	<u>-</u>	<u>(11,395,583)</u>
Total capital assets, being depreciated, net	21,009,540	(26,641)	-	20,982,899
Capital assets, not being depreciated:				
Land	<u>851,800</u>	<u>-</u>	<u>-</u>	<u>851,800</u>
Total capital assets, not being depreciated	<u>851,800</u>	<u>-</u>	<u>-</u>	<u>851,800</u>
Business-type activities capital assets, net	<u>\$ 21,861,340</u>	<u>\$ (26,641)</u>	<u>\$ -</u>	<u>\$ 21,834,699</u>

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

Governmental Activities	
General government	\$ 50,378
Public safety	54,568
Highways and streets	578,829
Sanitation	28,563
Culture and recreation	<u>25,449</u>
Total governmental activities	<u>\$ 737,787</u>
Business-Type Activities	
Water	\$ 12,736
Sewer	<u>13,905</u>
Total business-type activities	<u>\$ 26,641</u>

8. 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.

9. Accrued Liabilities

Accrued liabilities represent 2020 expenditures paid in 2021.

10. 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.

11. Capital Lease Obligations

The Town is the lessee of certain equipment under capital leases expiring in various years through 2022. Future minimum lease payments under the capital leases consisted of the following as of December 31, 2020:

	<u>Fiscal Year</u>	<u>Capital Leases</u>
	2021	\$ 27,939
	2022	<u>27,940</u>
Total payments		55,879
Less amounts representing interest		<u>3,043</u>
Present Value of Minimum Lease Payments		\$ <u>52,836</u>

Leased assets included in capital assets as of December 31, 2020 include highway equipment consisting of a Caterpillar backhoe and a John Deere loader.

12. Long-Term Debt

Long-Term Debt

The Town issues general obligation bonds (including direct placements) and direct borrowings to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds were paid in full during the current year. Direct borrowings currently outstanding are as follows:

<u>Governmental Activities</u>	<u>Original Issue</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/20</u>
<u>Loans - Direct Borrowings</u>				
CFDA Loan for Street Lights	\$ 40,000	11/30/21	2.50%	\$ <u>11,816</u>
Total governmental activities				\$ <u>11,816</u>

Future Debt Service

The annual payments to retire long-term debt outstanding as of December 31, 2020 are as follows:

<u>Governmental</u>	<u>Loans - Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ <u>11,816</u>	\$ <u>149</u>
Total	\$ <u>11,816</u>	\$ <u>149</u>

The general fund has been designated as the sole source to repay the long-term debt outstanding as of December 31, 2020.

Changes in General Long-Term Liabilities

During the year ended December 31, 2020, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
Governmental Activities						
Loans payable (direct borrowing)	\$ 24,413	\$ -	\$ (12,597)	\$ 11,816	\$ (11,816)	\$ -
Capital leases	90,336	-	(37,500)	52,836	(25,923)	26,913
Compensated absences	16,762	15,550	-	32,312	(3,231)	29,081
Net pension liability	2,663,413	698,139	-	3,361,552	-	3,361,552
Net OPEB liability	<u>588,653</u>	<u>-</u>	<u>(11,667)</u>	<u>576,986</u>	<u>-</u>	<u>576,986</u>
Total	\$ <u>3,383,577</u>	\$ <u>713,689</u>	\$ <u>(61,764)</u>	\$ <u>4,035,502</u>	\$ <u>(40,970)</u>	\$ <u>3,994,532</u>
Business-Type Activities						
Compensated absences	22,914	1,145	-	24,059	(2,406)	21,653
Net pension liability	402,400	121,465	-	523,865	-	523,865
Net OPEB liability	<u>87,156</u>	<u>-</u>	<u>(997)</u>	<u>86,159</u>	<u>-</u>	<u>86,159</u>
Totals	\$ <u>512,470</u>	\$ <u>122,610</u>	\$ <u>(997)</u>	\$ <u>634,083</u>	\$ <u>(2,406)</u>	\$ <u>631,677</u>

13. Deferred Inflows of Resources

Deferred inflows of resources represent the acquisition of net position by the Town that is 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 are 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.

14. 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, 2020:

Nonspendable

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

Restricted

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

Committed

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing special article appropriations approved at Town Meeting, capital reserve funds, 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 deficit funds.

The following is a breakdown of the Town's fund balances at December 31, 2020:

	General <u>Fund</u>	Grants <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 317,544	\$ 317,544
Total Nonexpendable	-	-	317,544	317,544
Restricted				
Special revenue funds	-	3,386	221,731	225,117
Expendable permanent funds	-	-	3,140	3,140
Total Restricted	-	3,386	224,871	228,257
Committed				
Capital reserve funds	1,625,888	-	-	1,625,888
Capital project funds	-	-	77,403	77,403
Total Committed	1,625,888	-	77,403	1,703,291
Assigned				
Encumbrances:				
General government	43,866	-	-	43,866
Culture and recreation	10,000	-	-	10,000
Total Assigned	53,866	-	-	53,866
Unassigned				
General fund	2,016,318	-	-	2,016,318
Deficit balances	-	(46,051)	(833)	(46,884)
Total Unassigned	2,016,318	(46,051)	(833)	1,969,434
Total Fund Balance	\$ 3,696,072	\$ (42,665)	\$ 618,985	\$ 4,272,392

15. 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 to the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire considers revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.

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

GAAP basis balance	\$ 2,016,318
Unavailable revenue	487,457
Allowance for abatements	(149,755)
Other	<u>45,577</u>
Statutory Balance	<u>\$ 2,399,597</u>

16. 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 provides 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 Board of Selectmen 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 years of 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 8 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 Earnable Compensation to the pension plan, which the contribution rates are 7% for employees and teachers 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.88% to 26.43% of covered compensation. The Town’s contribution to NHRS for the year ended December 31, 2020 was \$270,178, which was equal to its annual required contribution.

Summary of Significant Accounting Policies

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

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

At December 31, 2020, the Town reported a liability of \$ 3,885,417 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, 2019. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At the most recent measurement date of June 30, 2020, the Town’s proportion was 0.06074617%, which was a decrease of 0.00297022% from its previous year proportion.

For the year ended December 31, 2020, the Town recognized pension expense of \$477,160. 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	\$ 104,925	\$ (41,718)
Changes of assumptions	384,345	-
Differences between projected and actual earnings on pension plan investments	240,317	-
Changes in proportion and differences between contributions and proportionate share of contributions	2,312	(308,991)
Contributions subsequent to the measurement date	<u>135,168</u>	<u>-</u>
Total	<u>\$ 867,067</u>	<u>\$ (350,709)</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 2021. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year	
2021	\$ 20,291
2022	77,965
2023	129,653
2024	<u>153,281</u>
Total	<u>\$ 381,190</u>

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.00% per year
Wage inflation	2.75% per year (2.25% for Teachers)
Salary increases	5.60% average, including inflation
Investment rate of return	6.75%, net of plan investment expense, including inflation

Mortality rates were based on the Pub-2010 healthy retiree mortality tables with credibility adjustments for each group (police and fire combined) and projected fully generational mortality improvements using scale MP-2019.

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

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.

Actuarial assumptions reflect benefit changes resulting from CH 340 laws of 2019 (HB616), which grants a one-time 1.5% COLA on the first \$50,000 of an annual pension benefit to members who retired on or before July 1, 2014, or any beneficiary of such member. The COLA will take effect on the retired member's first anniversary date of retirement occurring after July 1, 2020.

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Weighted Average Average Long-Term Expected Real Rate of Return</u>
Large Cap Equities	22.50 %	3.71%
Small/Mid Cap Equities	<u>7.50</u>	4.15%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	3.96%
Emerging Int'l Equities	<u>7.00</u>	6.20%
Total international equities	20.00	
Core Bonds	9.00	0.42%
Global Multi-Sector Fixed Income	10.00	1.66%
Absolute Return Fixed Income	<u>6.00</u>	0.92%
Total fixed income	25.00	
Private equity	10.00	7.71%
Private debt	<u>5.00</u>	4.81%
Total alternative investments	15.00	
Real estate	<u>10.00</u>	2.95%
Total	<u><u>100.00</u></u> %	

Discount Rate

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

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

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

1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
\$ 5,030,033	\$ 3,885,417	\$ 2,950,113

Pension Plan Fiduciary Net Position

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

17. 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 are based on a measurement date of December 31, 2020.

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, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	7
Active employees	<u>32</u>
Total	<u><u>39</u></u>

Funding Policy

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

Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the alternative method as of December 31, 2020, in accordance with the parameters of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. 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	5.60%, average, including inflation
Discount rate	2.12%
Healthcare cost trend rates	7.50% for 2020, 7.00% for 2021, fluctuating 0.5%, to an ultimate rate of 3.00% as of 2029 and later
Retirees' share of benefit-related costs	100%
Participation rate	100% of current active employees under plan

The discount rate was based on the Fidelity General Obligation AA20 Year Bond at December 31, 2020.

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, 2020 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 2.12%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Total OPEB Liability

The Town's total OPEB liability of \$476,706 was measured as of December 31, 2020, and was determined by the alternative method as of December 31, 2020.

Changes in the Total OPEB Liability

	Total OPEB <u>Liability</u>
Balance, beginning of year	\$ 460,811
Changes for the year:	
Service cost	32,088
Interest	10,106
Other	9,578
Changes in assumptions or other inputs	3,063
Benefit payments	<u>(38,940)</u>
Net Change	<u>15,895</u>
Balance, end of year	<u>\$ 476,706</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 2.71% in 2019 to 2.12% in 2020. 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:

1% Decrease (1.12%)	Current Discount Rate (2.12%)	1% Increase (3.12%)
\$ 583,283	\$ 476,706	\$ 394,972

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% Decrease (6.50%)	Current Healthcare Cost Trend Rates (7.50%)	1% Increase (8.50%)
\$ 457,775	\$ 476,706	\$ 496,748

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

For the year ended December 31, 2020, the Town recognized an OPEB expense of \$51,944. At December 31, 2020, the Town did not have any deferred outflows or inflows of resources related to OPEB.

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, NH 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 OPEB plan is closed to new entrants. 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 contribution rates set forth by NHRS. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the NHRS actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The Town contributed 0.29% of gross payroll for Group I employees, and 3.66% and 3.66% of gross payroll for Group II fire and police department members, respectively. Employees are not required to contribute. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the Medical Subsidy plan.

Actuarial Assumptions and Other Inputs

Actuarial assumptions are the same in the Retirement System footnote.

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

The Town's proportionate share of the net NHRS Medical Subsidy (net OPEB liability) as of the measurement date of June 30, 2020 was \$186,438, representing 0.04259412%.

For the year ended December 31, 2020, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$(9,515). At December 31, 2020, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	-	(540)
Net difference between projected and actual earnings on OPEB investments	698	-
Changes in proportion	-	(3,518)
Contributions subsequent to the measurement date	10,135	-
Change in assumptions	<u>1,199</u>	<u>-</u>
Total	<u>\$ 12,032</u>	<u>\$ (4,058)</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 year will be included as a reduction of the net OPEB liability in the year ending December 31, 2021.

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

<u>Year:</u>	
2021	\$ (2,807)
2022	206
2023	246
2024	<u>194</u>
Total	<u>\$ (2,161)</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% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
\$ 202,453	\$ 186,438	\$ 172,535

Healthcare cost Trend Rate

Health care 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, 2020:

	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	\$ 476,706	\$ -	\$ -	\$ 51,944
Proportionate share of NHRS Medical Subsidy Plan	<u>186,438</u>	<u>12,032</u>	<u>(4,058)</u>	<u>(9,515)</u>
Total	<u>\$ 663,144</u>	<u>\$ 12,032</u>	<u>\$ (4,058)</u>	<u>\$ 42,429</u>

18. Change in Accounting Principle

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

19. Commitments and Contingencies

COVID-19

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

Outstanding Legal Issues

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

Grants

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

Encumbrances

At year-end the Town's general fund has \$53,866 in encumbrances that will be honored in the next year.

20. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its year ending December 31, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

TOWN OF GORHAM, NEW HAMPSHIRE

Required Supplementary Information
General Fund

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

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues				
Property taxes	\$ 3,127,004	\$ 3,127,004	\$ 3,985,687	\$ 858,683
Penalties, interest and other taxes	124,635	124,635	113,580	(11,055)
Charges for services	323,660	323,660	428,536	104,876
Intergovernmental	245,315	245,315	233,001	(12,314)
Licenses and permits	685,850	685,850	746,996	61,146
Investment income	11,000	11,000	8,195	(2,805)
Miscellaneous	<u>33,521</u>	<u>33,521</u>	<u>54,817</u>	<u>21,296</u>
Total Revenues	4,550,985	4,550,985	5,570,812	1,019,827
Expenditures				
General government	868,979	868,979	1,053,461	(184,482)
Public safety	1,572,986	1,572,986	1,386,610	186,376
Highways and streets	946,408	946,408	946,920	(512)
Sanitation	336,600	336,600	266,867	69,733
Health and human services	9,845	9,845	8,779	1,066
Welfare	18,540	18,540	4,423	14,117
Culture and recreation	269,489	269,489	214,721	54,768
Conservation	250	250	129	121
Debt service	<u>55,315</u>	<u>55,315</u>	<u>53,318</u>	<u>1,997</u>
Total Expenditures	<u>4,078,412</u>	<u>4,078,412</u>	<u>3,935,228</u>	<u>143,184</u>
Excess (Deficiency) of Revenues Over Expenditures	472,573	472,573	1,635,584	1,163,011
Other Financing Sources/(Uses)				
Transfers out	(838,300)	(838,300)	(838,300)	-
Use of fund balance:				
Voted surplus	2,870	2,870	2,870	-
To reduce taxes	<u>362,857</u>	<u>362,857</u>	<u>362,857</u>	<u>-</u>
Total Other Financing Sources/(Uses)	<u>(472,573)</u>	<u>(472,573)</u>	<u>(472,573)</u>	<u>-</u>
Overall Budgetary Excess (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,163,011</u>	\$ <u>1,163,011</u>

See Independent Auditors' Report.

**Notes to Required Supplementary Information
for General Fund Budget**

Budgetary Basis

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

Budget/GAAP Reconciliation

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

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

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
Revenues/expenditures/transfers (GAAP Basis)	\$ 5,579,885	\$ 4,539,983	\$ (164,930)
Remove effect of combining capital reserve and general fund	(9,073)	(13,551)	132,189
Reverse beginning of year appropriation carryforwards from expenditures	-	(85,732)	-
Add end-of-year appropriation carryforwards from expenditures	-	53,866	-
Recognize use of fund balance as funding source/use.	-	-	365,727
Reverse effects of non budgeted capital reserve related expenditures	<u>-</u>	<u>(559,338)</u>	<u>(805,559)</u>
Budgetary Basis	<u>\$ 5,570,812</u>	<u>\$ 3,935,228</u>	<u>\$ (472,573)</u>

See Independent Auditors' Report.

TOWN OF GORHAM, NEW HAMPSHIRE

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

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>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, 2020	June 30, 2020	0.06074617%	\$ 3,885,417	\$ 1,984,313	195.81%	58.72%
December 31, 2019	June 30, 2019	0.06371639%	\$ 3,065,813	\$ 1,926,517	159.14%	65.59%
December 31, 2018	June 30, 2018	0.06844475%	\$ 3,295,753	\$ 1,995,778	165.14%	64.73%
December 31, 2017	June 30, 2017	0.07237282%	\$ 3,559,290	\$ 1,912,865	186.07%	62.66%
December 31, 2016	June 30, 2016	0.07278169%	\$ 3,870,236	\$ 1,860,027	208.07%	58.30%
December 31, 2015	June 30, 2015	0.06901241%	\$ 2,733,945	\$ 1,807,189	151.28%	65.47%

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

See Independent Auditors' Report.

TOWN OF GORHAM, NEW HAMPSHIRE

Required Supplementary Information
 Schedule of Pension Contributions
 (Unaudited)

New Hampshire Retirement System

<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2020	June 30, 2020	\$ 270,178	\$ 270,178	\$ -	\$ 2,018,685	13.38%
December 31, 2019	June 30, 2019	\$ 277,420	\$ 277,420	\$ -	\$ 1,959,888	14.15%
December 31, 2018	June 30, 2018	\$ 276,119	\$ 276,119	\$ -	\$ 1,919,337	14.39%
December 31, 2017	June 30, 2017	\$ 285,089	\$ 285,089	\$ -	\$ 1,998,618	14.26%
December 31, 2016	June 30, 2016	\$ 257,565	\$ 257,565	\$ -	\$ 1,849,583	13.93%
December 31, 2015	June 30, 2015	\$ 230,041	\$ 230,041	\$ -	\$ 1,700,548	13.53%

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

See Independent Auditors' Report.

TOWN OF GORHAM, NEW HAMPSHIRE

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

Schedule of Proportionate Share

New Hampshire Retirement System Medical Subsidy

Fiscal Year	Measurement Date	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Payroll	Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position Percentage of the Net OPEB Liability
December 31, 2020	June 30, 2020	0.04259412%	\$186,438	\$1,984,313	9.40%	7.74%
December 31, 2019	June 30, 2019	0.04904029%	\$214,998	\$1,926,517	11.16%	7.75%
December 31, 2018	June 30, 2018	0.05370880%	\$245,903	\$1,995,778	12.32%	7.53%
December 31, 2017	June 30, 2017	0.03839880%	\$175,572	\$1,912,865	9.18%	7.97%

Schedule of Contributions

New Hampshire Retirement System Medical Subsidy

Fiscal Year	Measurement Date	Contractually Required Contribution	Contributions Relative to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Employee Payroll
December 31, 2020	June 30, 2020	\$19,957	\$19,957	\$ -	\$2,018,685	0.99%
December 31, 2019	June 30, 2019	\$21,277	\$21,277	\$ -	\$1,959,888	1.09%
December 31, 2018	June 30, 2018	\$22,271	\$22,271	\$ -	\$1,919,337	1.16%
December 31, 2017	June 30, 2017	\$22,271	\$22,271	\$ -	\$1,998,618	7.97%

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

See Independent Auditors' Report.

TOWN OF GORHAM, NEW HAMPSHIRE

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

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 32,088	\$ 30,874	\$ 30,931
Interest on unfunded liability - time value of \$	10,106	12,488	22,387
Other	3,063	-	-
Changes of assumptions	9,578	(148,181)	(160,736)
Benefit payments, including refunds of member contributions	<u>(38,940)</u>	<u>(37,678)</u>	<u>(39,962)</u>
Net change in total OPEB liability	15,895	(142,497)	(147,380)
Total OPEB liability - beginning	<u>460,811</u>	<u>603,308</u>	<u>750,688</u>
Total OPEB liability - ending	<u>\$ 476,706</u>	<u>\$ 460,811</u>	<u>\$ 603,308</u>
Covered employee payroll	\$ 2,018,685	\$ 1,959,888	\$ 1,919,337
Total OPEB liability as a percentage of covered employee payroll	23.61%	23.51%	31.43%

The above does not include the New Hampshire Retirement System Medical Subsidy.

See Independent Auditors' Report.