



TOWN OF LITCHFIELD, NEW HAMPSHIRE

Financial Statements and Supplementary Information
For the Year Ended December 31, 2019

(With Independent Auditors' Report Thereon)

Town of Litchfield, New Hampshire

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS:	
Government-wide Financial Statements:	
Statement of Net Position	10
Statement of Activities	11
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	12
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	13
Statement of Revenues, Expenditures, and Changes in Fund Balances	14
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	15
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	16
Fiduciary Funds:	
Statement of Fiduciary Net Position	17
Notes to Financial Statements	18

REQUIRED SUPPLEMENTARY INFORMATION:

Pension:

Schedule of Proportionate Share of the Net Pension Liability (GASB 68)	47
Schedule of Pension Contributions (GASB 68)	48

OPEB:

Schedules of Proportionate Share of Net OPEB Liability and Contributions (GASB 75)	49
Schedules of Changes in the Total OPEB Liability (GASB 75)	50



INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Litchfield, New Hampshire

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Nashua, New Hampshire
Manchester, New Hampshire
Andover, Massachusetts
Greenfield, Massachusetts
Ellsworth, Maine

800.282.2440 | melansoncpas.com



reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis and certain 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 dark blue ink that reads "Melanson".

Nashua, New Hampshire
July 15, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

A. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

The Statement of Net Position presents information on all assets, 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).

The governmental activities include general government, public safety, education, highways and streets, sanitation, health and welfare, culture and recreation, and conservation.

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

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial

statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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

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

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

B. FINANCIAL HIGHLIGHTS

- As of the close of the current year, the total of assets and deferred outflows exceeded liabilities and deferred inflows by \$22,058,843 (i.e., net position), a change of \$(65,540) in comparison to the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$4,610,650, a change of \$(829,349) in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$2,248,535, a change of \$487,760 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>	
	Governmental <u>Activities</u>	
	<u>2019</u>	<u>2018</u>
Current and other assets	\$ 13,792	\$ 15,354
Capital assets	<u>26,065</u>	<u>25,281</u>
Total assets	39,857	40,635
Deferred outflows of resources	405	777
Current liabilities	9,101	9,866
Noncurrent liabilities	<u>8,968</u>	<u>9,201</u>
Total liabilities	18,069	19,067
Deferred inflows of resources	134	221
Net investment in capital assets	22,582	23,253
Restricted	1,781	1,464
Unrestricted	<u>(2,304)</u>	<u>(2,593)</u>
Total net position	<u>\$ 22,059</u>	<u>\$ 22,124</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 \$22,058,843, a change of \$(65,540) in comparison to the prior year.

The largest portion of net position, \$22,582,458 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, \$1,780,650 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit balance of \$(2,304,265) caused primarily by the recording of the unfunded net pension liability (see Note 15) and accrued but unfunded other post-employment benefits (see Note 16).

CHANGES IN NET POSITION

	Governmental Activities	
	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Charges for services	\$ 237	\$ 164
Operating grants	11	841
Capital grants and contributions	209	205
General revenues:		
Property taxes	4,704	3,967
Penalties and interest on taxes	190	232
Licenses and permits	2,004	1,994
Investment income	142	73
Intergovernmental	438	434
Other	367	458
Total revenues	<u>8,302</u>	<u>8,368</u>
Expenses:		
General government	2,019	1,942
Public safety	3,487	3,348
Education	7	254
Highways and streets	1,737	1,354
Sanitation	431	416
Health and welfare	85	57
Culture and recreation	422	399
Interest on long-term debt	174	-
Conservation	2	3
Total expenses	<u>8,364</u>	<u>7,773</u>
Change in net position before transfers	(62)	595
Transfers out	(3)	-
Change in net position	(65)	595
Net position - beginning of year	<u>22,124</u>	<u>21,529</u>
Net position - end of year	<u>\$ 22,059</u>	<u>\$ 22,124</u>

Governmental activities. Governmental activities for the year resulted in a change in net position of \$(65,540). Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 423,166
Fire station capital project fund - accrual basis	21,159
Conservation fund revenues in excess of expenditures	168,958
Impact fee fund revenues in excess of expenditures	106,024
Depreciation expense	(1,371,223)
Change in other post-employment benefits liability and related deferred outflows/inflows	(37,585)
Change in net pension liability and related deferred outflows/inflows	(186,556)
Non-bonded capital asset acquisitions	608,350
Other	<u>202,167</u>
Total	<u>\$ (65,540)</u>

D. FINANCIAL ANALYSIS OF FUNDS

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

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

As of the end of the current year, governmental funds reported combined ending fund balances of \$4,610,650, a change of \$(829,349) in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 423,166
Major Fire station capital project fund expenditures financed with bond proceeds recognized in the prior year	(1,558,341)
Non-major funds results:	
Conservation fund revenues in excess of expenditures	168,958
Impact fee fund revenues in excess of expenditures	106,024
Other	<u>30,844</u>
Total	<u>\$ (829,349)</u>

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$2,248,535, while total fund balance was \$2,550,728. As a

measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/19</u>	<u>12/31/18</u>	<u>Change</u>	% of <u>Total General Fund Expenditures</u>
Unassigned fund balance	\$ 2,248,535	\$ 1,760,775	\$ 487,760	33.6%
Total fund balance	\$ 2,550,728	\$ 2,127,562	\$ 423,166	38.2%

The total fund balance of the general fund changed by \$423,166 during the current year. Key factors in this change are as follows:

State and local revenues surplus	\$ 244,760
Budgetary appropriations turnbacks by departments	29,325
Tax collections in excess of budget	425,113
Prior year encumbrances spent in the current year in excess of current year encumbrances to be spent in the subsequent year	(107,257)
Change in capital reserve fund balance	1,813
Use of fund balance	(190,000)
Other	19,412
Total	<u>\$ 423,166</u>

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

	<u>12/31/19</u>	<u>12/31/18</u>	<u>Change</u>
Capital reserve	\$ <u>135,963</u>	\$ <u>134,150</u>	\$ <u>1,813</u>
Total	\$ <u><u>135,963</u></u>	\$ <u><u>134,150</u></u>	\$ <u><u>1,813</u></u>

E. GENERAL FUND BUDGETARY HIGHLIGHTS

The differences between the total original budget and the total final amended budget did not impact the overall budget.

F. CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental activities at year-end amounted to \$26,065,187 (net of accumulated depreciation), a change of \$784,258 from the prior year. This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital events during the current year included the following:

- Fire station construction of \$1,579,500
- Roadway resurfacing of \$247,946

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

Long-term debt. At the end of the current fiscal year, total bonded debt outstanding was \$3,465,000, all of which was backed by the full faith and credit of the Town.

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

REQUESTS FOR INFORMATION

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

Board of Selectmen
Town of Litchfield
2 Liberty Way, Suite 2
Litchfield, New Hampshire 03052

TOWN OF LITCHFIELD, NEW HAMPSHIRE

STATEMENT OF NET POSITION

DECEMBER 31, 2019

	Governmental Activities
Assets	
Current:	
Cash and short-term investments	\$ 6,601,073
Investments	6,622,479
Receivables, net of allowance for uncollectibles:	
Taxes	388,557
Departmental and other	58,213
Other assets	77,880
Due from fiduciary funds	<u>375</u>
Total Current Assets	<u>13,748,577</u>
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Taxes	42,942
Capital assets:	
Land and construction in progress	4,789,836
Other capital assets, net of accumulated depreciation	<u>21,275,351</u>
Total Noncurrent Assets	<u>26,108,129</u>
Total Assets	<u>39,856,706</u>
Deferred Outflows of Resources	
Related to pensions	380,583
Related to OPEB	<u>24,442</u>
Total Assets and Deferred Outflows of Resources	40,261,731
Liabilities	
Current:	
Accounts payable	272,577
Accrued liabilities	90,624
Other liabilities	48,275
Due to school district	8,541,538
Current portion of long-term liabilities:	
Bonds payable	115,000
Other	<u>32,333</u>
Total Current Liabilities	<u>9,100,347</u>
Noncurrent:	
Bonds payable, net of current portion	3,350,000
Net pension liability	4,353,593
Net OPEB liability	1,031,031
Other	<u>233,747</u>
Total Noncurrent Assets	<u>8,968,371</u>
Total Liabilities	<u>18,068,718</u>
Deferred Inflows of Resources	
Related to pensions	132,189
Related to OPEB	<u>1,981</u>
Total Liabilities and Deferred Inflows of Resources	18,202,888
Net Position	
Net investment in capital assets	22,582,458
Restricted for:	
Grants and other statutory restrictions	1,555,200
Permanent funds:	
Nonexpendable	38,800
Expendable	186,650
Unrestricted	<u>(2,304,265)</u>
Total Net Position	<u>\$ 22,058,843</u>

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

TOWN OF LITCHFIELD, NEW HAMPSHIRE

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities					
General government	\$ 2,018,478	\$ 20,365	\$ -	\$ -	\$ (1,998,113)
Public safety	3,486,787	181,159	5,563	-	(3,300,065)
Education	7,422	-	-	-	(7,422)
Highways and streets	1,737,275	-	-	-	(1,737,275)
Sanitation	431,129	18,604	-	-	(412,525)
Health and welfare	84,810	-	-	-	(84,810)
Culture and recreation	422,297	16,976	864	209,139	(195,318)
Interest	174,359	-	-	-	(174,359)
Conservation	1,261	-	4,093	-	2,832
Total Governmental Activities	<u>\$ 8,363,818</u>	<u>\$ 237,104</u>	<u>\$ 10,520</u>	<u>\$ 209,139</u>	(7,907,055)
General Revenues and Contributions					
					4,703,886
					189,944
					2,003,621
					141,667
					438,240
					367,465
					<u>(3,308)</u>
					7,841,515
					(65,540)
Net Position					
					<u>22,124,383</u>
					<u>\$ 22,058,843</u>

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

TOWN OF LITCHFIELD, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

BALANCE SHEET

DECEMBER 31, 2019

	<u>General</u>	<u>Fire Station Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and short-term investments	\$ 4,640,294	\$ 86,482	\$ 1,874,297	\$ 6,601,073
Investments	6,503,325	-	119,154	6,622,479
Receivables:				
Property taxes	479,499	-	-	479,499
Departmental and other	2,178	-	56,035	58,213
Due from other funds	116,340	-	73,537	189,877
Other assets	<u>77,880</u>	<u>-</u>	<u>-</u>	<u>77,880</u>
Total Assets	<u>\$ 11,819,516</u>	<u>\$ 86,482</u>	<u>\$ 2,123,023</u>	<u>\$ 14,029,021</u>
Liabilities				
Accounts payable	\$ 272,577	\$ -	\$ -	\$ 272,577
Accrued liabilities	34,967	-	-	34,967
Other liabilities	48,275	-	-	48,275
Due to other funds	73,537	1,134	114,831	189,502
Due to school district	<u>8,541,538</u>	<u>-</u>	<u>-</u>	<u>8,541,538</u>
Total Liabilities	8,970,894	1,134	114,831	9,086,859
Deferred Inflows of Resources				
Unavailable revenues	297,894	-	33,618	331,512
Fund Balances				
Nonspendable	-	-	38,800	38,800
Restricted	-	85,348	1,935,774	2,021,122
Committed	135,963	-	-	135,963
Assigned	166,230	-	-	166,230
Unassigned	<u>2,248,535</u>	<u>-</u>	<u>-</u>	<u>2,248,535</u>
Total Fund Balances	<u>2,550,728</u>	<u>85,348</u>	<u>1,974,574</u>	<u>4,610,650</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 11,819,516</u>	<u>\$ 86,482</u>	<u>\$ 2,123,023</u>	<u>\$ 14,029,021</u>

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

TOWN OF LITCHFIELD, NEW HAMPSHIRE

RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION

DECEMBER 31, 2019

Total governmental fund balances	\$ 4,610,650
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	26,065,187
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	283,512
Long-term liabilities, including bonds payable, net pension liability, Net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(8,844,849)
Other	<u>(55,657)</u>
Net position of governmental activities	<u><u>\$ 22,058,843</u></u>

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

TOWN OF LITCHFIELD, NEW HAMPSHIRE

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES

FOR THE YEAR ENDED DECEMBER 31, 2019

	<u>General</u>	<u>Fire Station Capital Project Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Property taxes	\$ 4,610,458	\$ -	\$ -	\$ 4,610,458
Penalties, interest and other taxes	27,495	-	162,449	189,944
Licenses and permits	2,003,621	-	-	2,003,621
Intergovernmental	647,793	-	6,013	653,806
Charges for services	20,587	-	226,546	247,133
Investment income	81,029	7,733	52,905	141,667
Miscellaneous	<u>76,314</u>	<u>518</u>	<u>366,202</u>	<u>443,034</u>
Total Revenues	7,467,297	8,251	814,115	8,289,663
Expenditures				
Current:				
General government	1,801,259	-	160,133	1,961,392
Public safety	3,134,669	1,566,592	266,356	4,967,617
Education	-	-	7,422	7,422
Highways and streets	786,934	-	128,500	915,434
Sanitation	408,368	-	-	408,368
Health and welfare	84,522	-	-	84,522
Culture and recreation	117,256	-	306,777	424,033
Conservation	1,265	-	-	1,265
Capital outlay	90,000	-	-	90,000
Debt Service	<u>258,959</u>	<u>-</u>	<u>-</u>	<u>258,959</u>
Total Expenditures	<u>6,683,232</u>	<u>1,566,592</u>	<u>869,188</u>	<u>9,119,012</u>
Excess (deficiency) of revenues over expenditures	784,065	(1,558,341)	(55,073)	(829,349)
Other Financing Sources (Uses)				
Transfers in	3,814	-	364,713	368,527
Transfers out	<u>(364,713)</u>	<u>-</u>	<u>(3,814)</u>	<u>(368,527)</u>
Total Other Financing Sources (Uses)	<u>(360,899)</u>	<u>-</u>	<u>360,899</u>	<u>-</u>
Changes in Fund Balance	423,166	(1,558,341)	305,826	(829,349)
Fund Balance, at Beginning of Year	<u>2,127,562</u>	<u>1,643,689</u>	<u>1,668,748</u>	<u>5,439,999</u>
Fund Balance, at End of Year	<u>\$ 2,550,728</u>	<u>\$ 85,348</u>	<u>\$ 1,974,574</u>	<u>\$ 4,610,650</u>

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

TOWN OF LITCHFIELD, NEW HAMPSHIRE

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2019

Net changes in fund balances - total governmental funds \$ (829,349)

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	2,187,850
Loss on disposal of assets	(32,369)
Depreciation	(1,371,223)

The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Repayments of debt	84,600
Repayments of capital lease	23,197

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 and personal property, etc.) differ between the two statements. This amount represents the net change in deferred revenue. 40,984

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:

Net pension liability and related deferred outflows and inflows of resources	(186,556)
Net OPEB liability and related deferred outflows and inflows of resources	(37,585)
Other	54,911

Change in net position of governmental activities \$ (65,540)

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

TOWN OF LITCHFIELD, NEW HAMPSHIRE

GENERAL FUND

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

FOR THE YEAR ENDED DECEMBER 31, 2019

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary <u>Basis</u>)	Variance with Final Budget Positive <u>(Negative)</u>
Revenues				
Property taxes	\$ 4,185,345	\$ 4,185,345	\$ 4,185,345	\$ -
Penalties, interest and other taxes	75,000	75,000	94,416	19,416
Licenses and permits	1,868,100	1,867,750	2,003,621	135,871
Intergovernmental	647,692	648,042	647,793	(249)
Charges for services	15,273	15,273	20,587	5,314
Investment income	25,000	25,000	79,216	54,216
Miscellaneous	4,452	2,952	33,144	30,192
	<u>6,820,862</u>	<u>6,819,362</u>	<u>7,064,122</u>	<u>244,760</u>
Total Revenues				
Expenditures				
General government	1,718,694	1,718,694	1,770,231	(51,537)
Public safety	3,270,405	3,270,405	3,108,623	161,782
Highways and streets	721,124	721,124	786,934	(65,810)
Sanitation	408,100	408,100	408,368	(268)
Health and welfare	81,470	81,470	92,280	(10,810)
Culture and recreation	360,711	95,998	100,164	(4,166)
Conservation	1,398	1,398	1,265	133
Capital outlay	90,000	90,000	90,000	-
Debt service	258,960	258,960	258,959	1
	<u>6,910,862</u>	<u>6,646,149</u>	<u>6,616,824</u>	<u>29,325</u>
Total Expenditures				
Excess of revenues over expenditures	(90,000)	173,213	447,298	274,085
Other Financing Sources/Uses				
Transfers in	-	1,500	3,814	2,314
Transfers out	(100,000)	(364,713)	(364,713)	-
Use of fund balance:				
Capital budget	90,000	90,000	-	(90,000)
Transfer to expendable trust funds	100,000	100,000	-	(100,000)
	<u>90,000</u>	<u>(173,213)</u>	<u>(360,899)</u>	<u>(187,686)</u>
Total Other Financing Sources/Uses				
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>86,399</u>	\$ <u>86,399</u>

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

TOWN OF LITCHFIELD, NEW HAMPSHIRE

FIDUCIARY FUNDS

STATEMENT OF FIDUCIARY NET POSITION

DECEMBER 31, 2019

	Agency <u>Funds</u>
Assets	
Cash and short-term investments	\$ <u>628,497</u>
Total Assets	\$ <u><u>628,497</u></u>
Liabilities	
Due to other funds	\$ 375
Due to other governments	471,497
Due to developers	<u>156,625</u>
Total Liabilities	\$ <u><u>628,497</u></u>

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

TOWN OF LITCHFIELD, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

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

A. Reporting Entity

The Town is a municipal corporation governed by an elected 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 year 2019, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

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

Fund Financial Statements

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

C. *Measurement Focus, Basis of Accounting, and Financial Statement Presentation*

Government-wide Financial Statements

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

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

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current 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 *fire station capital project fund* reports activities related to the Fire Station construction.

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

D. Cash and Short-Term Investments

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

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

E. Investments

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

F. 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).

G. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in governmental activities in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of two years. Such assets are

recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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	15 - 20
Infrastructure	40
Vehicles and equipment	5 - 20

H. Compensated Absences

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

I. Long-Term Obligations

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

J. 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 and current liabilities. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

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

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

K. Use of Estimates

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

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

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

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

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

B. Budgetary Basis

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

C. *Budget/GAAP Reconciliation*

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

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

<u>General Fund</u>	<u>Revenues and Transfers In</u>	<u>Expenditures and Transfers Out</u>	<u>Other Financing Sources/Uses</u>
Revenues/expenditures/transfers (GAAP basis)	\$ 7,467,297	\$ 6,683,232	\$ (360,899)
Adjust tax revenue to accrual basis	(425,113)	-	-
Reverse beginning of year appropriation carryforwards from expenditures	-	(273,487)	-
Add end-of-year appropriation carryforwards from expenditures	-	166,230	-
To remove capital reserve funds	(1,813)	-	-
Other timing issues	<u>23,751</u>	<u>40,849</u>	<u>-</u>
Budgetary basis	<u>\$ 7,064,122</u>	<u>\$ 6,616,824</u>	<u>\$ (360,899)</u>

3. Cash and Short-Term Investments

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. RSA 48:16 limits “deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a Town with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank.” The Town’s policy on custodial credit risk is to ensure prior to deposit that funds be secured by collateral having a market value at least equal to 102% of the amount deposited or invested.

As of December 31, 2019, none of the Town’s bank balances of \$7,356,727 was exposed to custodial credit risk as uninsured and/or uncollateralized.

4. Investments

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

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposit	\$ 6,503
Corporate equities	<u>119</u>
Total investments	<u><u>\$ 6,622</u></u>

A. Credit Risk

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

All of the Town's investments were exempt from credit risk disclosure.

B. Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town's policy on custodial credit risk is to ensure prior to deposit that funds be secured by collateral having a market value at least equal to 102% of the amount deposited or invested.

C. Concentration of Credit Risk

The Town places no limit on the amount the Town may invest in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, government agency securities, and mutual funds) that represent 5% or more of total investments are as follows:

<u>Investment Issuer</u>	<u>Amount</u>	<u>% of Total Investments</u>
TD Bank Certificates of Deposit	\$ 5,002,781	76%
TD Bank Certificates of Deposit	<u>1,500,544</u>	23%
Total	<u><u>\$ 6,503,325</u></u>	

D. Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town’s policy on interest rate risk is to schedule maturities to coincide with projected cash flow needs, provided that the term of any investment not exceed 18 months.

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

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years) Less Than 1</u>
Certificates of deposit	\$ <u>6,503</u>	\$ <u>6,503</u>
Total	\$ <u><u>6,503</u></u>	\$ <u><u>6,503</u></u>

E. Foreign Currency Risk

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

F. Fair Value

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

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

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

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

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

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

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

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		<u>Quoted prices in active markets for identical assets (Level 1)</u>	<u>Significant observable inputs (Level 2)</u>	<u>Significant unobservable inputs (Level 3)</u>
Investments by fair value level:				
Corporate equities	\$ <u>119</u>	119	-	-
Total	\$ <u><u>119</u></u>			

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

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

5. Property Taxes Receivable

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the year for which taxes have been levied. Property taxes 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 lien-ed by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 14%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

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

	Gross Amount <u>(fund basis)</u>	Allowance for Doubtful <u>Accounts</u>	Current <u>Portion</u>	Long- Term <u>Portion</u>
Real estate taxes	\$ 326,744	\$ (33,000)	\$ 293,744	\$ -
Tax liens	47,942	(5,000)	-	42,942
Land use change taxes	91,921	(9,000)	82,921	-
Tax deferrals	<u>12,892</u>	<u>(1,000)</u>	<u>11,892</u>	<u>-</u>
Total property taxes	<u>\$ 479,499</u>	<u>\$ (48,000)</u>	<u>\$ 388,557</u>	<u>\$ 42,942</u>

Taxes Collected for Others

The Town collects property taxes for the State of New Hampshire, the Litchfield School District, and the County of Hillsborough. Payments to the other taxing units are normally made throughout the year. The ultimate responsibility for the collection of taxes rests with the Town.

6. Interfund Fund Accounts

Receivables/Payables

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

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 116,340	\$ 73,537
Fire Station Capital Project Fund	-	1,134
Nonmajor Governmental Funds	<u>73,537</u>	<u>114,831</u>
Subtotal Governmental Funds	189,877	189,502
Agency Funds	<u>-</u>	<u>375</u>
Grand Total	<u>\$ 189,877</u>	<u>\$ 189,877</u>

Transfers

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

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 3,814	\$ 364,713
Nonmajor Funds:		
Special Revenue Funds	264,713	3,814
Trust Funds	<u>100,000</u>	<u>-</u>
Subtotal Nonmajor Funds	<u>364,713</u>	<u>3,814</u>
Grand Total	<u>\$ 368,527</u>	<u>\$ 368,527</u>

Of the transfer out of the general fund, \$264,713 was transferred to the library special revenue fund for their operating appropriations. Additionally, \$100,000 was transferred to the Town Earned Time Accrual and Technology and Communication trust funds. The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

7. Capital Assets

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 4,539	\$ 1,621	\$ -	\$ 6,160
Machinery, equipment, and furnishings	2,985	228	(145)	3,068
Infrastructure	<u>38,647</u>	<u>248</u>	<u>-</u>	<u>38,895</u>
Total capital assets, being depreciated	46,171	2,097	(145)	48,123
Less accumulated depreciation for:				
Buildings and improvements	(1,323)	(156)	-	(1,479)
Machinery, equipment, and furnishings	(2,139)	(239)	112	(2,266)
Infrastructure	<u>(22,127)</u>	<u>(976)</u>	<u>-</u>	<u>(23,103)</u>
Total accumulated depreciation	<u>(25,589)</u>	<u>(1,371)</u>	<u>112</u>	<u>(26,848)</u>
Total capital assets, being depreciated, net	20,582	726	(33)	21,275
Capital assets, not being depreciated:				
Land	<u>4,699</u>	<u>91</u>	<u>-</u>	<u>4,790</u>
Total capital assets, not being depreciated	<u>4,699</u>	<u>91</u>	<u>-</u>	<u>4,790</u>
Governmental activities capital assets, net	<u>\$ 25,281</u>	<u>\$ 817</u>	<u>\$ (33)</u>	<u>\$ 26,065</u>

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

Governmental Activities	
General government	\$ 39
Public safety	180
Highway	1,088
Culture and recreation	49
Sanitation	<u>15</u>
Total governmental activities	<u>\$ 1,371</u>

8. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net position by the Town that are 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. Accounts Payable

Accounts payable represents 2019 expenditures paid in 2020.

10. Due to School District

This represents the balance of the district assessment due to the Litchfield School District for the 2019/2020 school year.

11. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2023. Future minimum lease payments under the capital and operating leases consisted of the following as of December 31, 2019:

<u>Year</u>	<u>Capital Leases</u>
2020	\$ 28,564
2021	28,564
2022	28,564
2023	<u>28,564</u>
Total minimum lease payments	114,256
Less amounts representing interest	<u>(11,179)</u>
Present Value of Minimum Lease Payments	<u>\$ 103,077</u>

12. Long-Term Debt

A. General Obligation Bonds

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

<u>Governmental Activities</u>	<u>Serial Maturities Through</u>	<u>Interest Rate(s) %</u>	<u>Amount Outstanding as of 12/31/19</u>
Fire Station Bond	08/15/38	3.34%	\$ <u>3,465,000</u>
Total Governmental Activities:			\$ <u><u>3,465,000</u></u>

B. Future Debt Service

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

	<u>Governmental</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$	115,000	\$ 144,428	\$ 259,428
2021		125,000	138,563	263,563
2022		130,000	132,188	262,188
2023		135,000	125,558	260,558
2024		145,000	118,673	263,673
2025 - 2029		835,000	475,553	1,310,553
2030 - 2034		1,025,000	281,557	1,306,557
2035 - 2038		955,000	90,236	1,045,236
Total	\$	<u>3,465,000</u>	\$ <u>1,506,756</u>	\$ <u>4,971,756</u>

C. Changes in General Long-Term Liabilities

During the year ended December 31, 2019, 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						
Bonds payable	\$ 3,549,600	\$ -	\$ (84,600)	\$ 3,465,000	\$ (115,000)	\$ 3,350,000
Net pension liability	4,412,258	-	(58,665)	4,353,593	-	4,353,593
Net OPEB liability	1,033,484	-	(2,453)	1,031,031	-	1,031,031
Other:						
Compensated absences	196,683	9,834	(43,514)	163,003	(8,150)	154,853
Capital lease	<u>126,274</u>	<u>-</u>	<u>(23,197)</u>	<u>103,077</u>	<u>(24,183)</u>	<u>78,894</u>
Subtotal - other	<u>322,957</u>	<u>9,834</u>	<u>(66,711)</u>	<u>266,080</u>	<u>(32,333)</u>	<u>233,747</u>
Totals	\$ <u>9,318,299</u>	\$ <u>9,834</u>	\$ <u>(212,429)</u>	\$ <u>9,115,704</u>	\$ <u>(147,333)</u>	\$ <u>8,968,371</u>

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

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

13. Deferred Inflows of Resources

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

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

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

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

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

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

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

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

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

	General Fund	Fire Station Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 38,800	\$ 38,800
Total Nonexpendable	-	-	38,800	38,800
Restricted				
Special Revenue Fund	-	-	1,749,124	1,749,124
Bonded Projects	-	85,348	-	85,348
Expendable Permanent Funds	-	-	186,650	186,650
Total Restricted	-	85,348	1,935,774	2,021,122
Committed				
Capital reserve funds	135,963	-	-	135,963
Total Committed	135,963	-	-	135,963
Assigned				
For encumbrances:				
General government	139,972	-	-	139,972
Public safety	18,500	-	-	18,500
Health and human services	7,758	-	-	7,758
Total Assigned	166,230	-	-	166,230
Unassigned				
Unassigned	2,248,535	-	-	2,248,535
Total Unassigned	2,248,535	-	-	2,248,535
Total Fund Balance	\$ 2,550,728	\$ 85,348	\$ 1,974,574	\$ 4,610,650

15. Retirement System

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

A. Plan Description

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

and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

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

B. Benefits Provided

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

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

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

C. Contributions

Plan members are required to contribute a percentage of their gross earnings to the pension plan, which the contribution rates are 7% for employees and teachers 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 11.08% to 27.79% of covered compensation. The Town’s contributions to NHRS for the year ended December 31, 2019 was \$402,836, which was equal to its annual required contribution.

D. Summary of Significant Accounting Policies

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

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

At December 31, 2019, the Town reported a liability of \$4,353,593 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At December 31, 2019, the Town's proportion was 0.09048016%.

For the year ended December 31, 2019, the Town recognized pension expense of \$589,391. 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	\$ 24,072	\$ (93,615)
Changes of assumptions	156,205	-
Net difference between projected and actual investment earnings on pension plan investments	-	(35,563)
Changes in proportion and differences between contributions and proportionate share of contributions	-	(3,011)
Contributions subsequent to the measurement date	<u>200,306</u>	<u>-</u>
Total	<u>\$ 380,583</u>	<u>\$ (132,189)</u>

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

Year ended December 31:	
2020	\$ 183,428
2021	(98,121)
2022	(38,162)
2023	<u>943</u>
Total	\$ <u>48,088</u>

F. Actuarial Assumptions

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

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

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

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

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

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

G. Discount Rate

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

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

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

1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
\$ 5,829,640	\$ 4,353,593	\$ 3,133,651

I. *Pension Plan Fiduciary Net Position*

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

16. Other Post-Employment Benefits (GASB 75)

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

A. *Town OPEB Plan*

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

General Information about the OPEB Plan

Plan Description

The Town 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.

The Town's OPEB plan is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

Benefits Provided

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

Plan Membership

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

Inactive employees or beneficiaries currently receiving benefit payments	9
Active employees	<u>15</u>
Total	<u><u>24</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, 2019, in accordance with the parameters of GASB Statement No. 75. Alternative measurement method valuations of an ongoing plan are allowed for a sole employer with fewer than one hundred total plan members and involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future, similar to broad measurement steps as would be used by an actuarial valuation for plans whose members exceed one hundred. Examples include assumptions about future employment, mortality, and the healthcare cost

trend. The alternative measurement method used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.25%, average, including inflation
Discount rate	2.75%
Healthcare cost trend rates	8.00% for 2018, fluctuating .50%, to an ultimate rate of 4.00% as of 2027 and later years
Retirees' share of benefit-related costs	100%

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

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

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

Discount Rate

The discount rate used to measure the total OPEB liability was 2.75%. 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 \$522,817 was measured as of December 31, 2019 and was determined by the alternative method.

Changes in the Total OPEB Liability

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

	Total OPEB <u>Liability</u>
Balances, beginning of year	\$ 497,800
Changes for the year:	
Service cost	40,189
Interest	14,377
Changes in assumptions or other inputs	17,339
Benefit payments	<u>(46,888)</u>
Net Changes	<u>25,017</u>
Balances, end of year	<u>\$ 522,817</u>

Changes of assumptions and other inputs reflect a change in the discount rate from 3.71% in 2018 to 2.75% in 2019. All other assumptions were the same as those used in the previous measurement.

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

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

1% <u>Decrease</u>	Current Discount <u>Rate</u>	1% <u>Increase</u>
\$ 622,821	\$ 522,817	\$ 420,636

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

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one

percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% <u>Decrease</u>	Current Healthcare Cost Trend <u>Rates</u>	1% <u>Increase</u>
\$ 482,516	\$ 522,817	\$ 567,124

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

For the year ended December 31, 2019, the Town recognized an OPEB expense of \$25,017. At December 31, 2019, the Town did not have any deferred outflows or (inflows) of resources related to the Total OPEB liability.

B. New Hampshire Retirement System Medical Subsidy Plan Description

General Information about the OPEB Plan

Plan Description

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

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

Benefits Provided

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

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

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

Contributions

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

Actuarial Assumptions and Other Inputs

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

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

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

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

Net OPEB Liability, Expense, and Deferred Outflows and Inflows

The Town’s proportionate share of the net NHRS Medical Subsidy (net OPEB liability) as of the measurement date of June 30, 2019 was \$508,214, representing 0.11592177%.

For the year ended December 31, 2019, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$64,270. At December 31, 2019, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ (884)
Changes in proportion	-	(526)
Net difference between projected and actual OPEB investment earnings	-	(571)
Contributions subsequent to the measurement date	<u>24,442</u>	<u>-</u>
Total	<u>\$ 24,442</u>	<u>\$ (1,981)</u>

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

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

<u>Year Ended June 30:</u>	
2020	\$ (1,789)
2021	(379)
2022	39
2023	<u>148</u>
Total	<u>\$ (1,981)</u>

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

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

1% <u>Decrease</u>	Current Discount <u>Rate</u>	1% <u>Increase</u>
\$ 551,235	508,214	\$ 470,831

Healthcare Cost Trend Rate

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

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

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

	<u>Total/Net OPEB Liability</u>	<u>Total Deferred Outflows of Resources</u>	<u>Total Deferred (Inflows) of Resources</u>	<u>Total OPEB Expense</u>
Town OPEB Plan	\$ 522,817	\$ -	\$ -	\$ 25,017
Proportionate share of NHRS Medical Subsidy Plan	<u>508,214</u>	<u>24,442</u>	<u>(1,981)</u>	<u>12,567</u>
Total	<u>\$ 1,031,031</u>	<u>\$ 24,442</u>	<u>\$ (1,981)</u>	<u>\$ 37,584</u>

17. Commitments and Contingencies

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

Grants - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims,

including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

Encumbrances – At year-end, the Town’s general fund has \$166,230 in encumbrances that will be honored in the next fiscal year.

18. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the Town beginning with its fiscal year ending June 30, 2021. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported, and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal year ending June 30, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

19. COVID-19

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

TOWN OF LITCHFIELD, NEW HAMPSHIRE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE (GASB 68)

DECEMBER 31, 2019
(Unaudited)

(Amounts expressed in thousands)

New Hampshire Retirement System						
Fiscal <u>Year</u>	Measurement <u>Date</u>	Proportion of the <u>Net Pension</u> <u>Liability</u>	Proportionate Share of the <u>Net Pension</u> <u>Liability</u>	Covered <u>Payroll</u>	Proportionate Share of the <u>Net Pension Liability as a</u> <u>Percentage of Covered Payroll</u>	Plan Fiduciary Net Position <u>Percentage of the Total</u> <u>Pension Liability</u>
December 31, 2019	June 30, 2019	0.0905%	\$4,353,593	\$ 1,923,079	226.39%	65.59%
December 31, 2018	June 30, 2018	0.0916%	\$4,412,258	\$ 1,901,692	232.02%	64.73%
December 31, 2017	June 30, 2017	0.0938%	\$4,614,687	\$ 1,845,191	250.09%	62.66%
December 31, 2016	June 30, 2016	0.0926%	\$4,923,838	\$ 1,796,395	274.10%	58.30%
December 31, 2015	June 30, 2015	0.0839%	\$3,325,930	\$ 1,593,643	208.70%	65.47%

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

See Independent Auditors' Report.

TOWN OF LITCHFIELD, NEW HAMPSHIRE
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PENSION CONTRIBUTIONS (GASB 68)

DECEMBER 31, 2019
(Unaudited)

(Amounts expressed in thousands)

New Hampshire Retirement System						
Fiscal Year	Measurement Date	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2019	June 30, 2019	\$ 402,836	\$ (402,836)	\$ -	\$ 1,923,079	20.95%
December 31, 2018	June 30, 2018	\$ 388,396	\$ (388,396)	\$ -	\$ 1,901,692	20.42%
December 31, 2017	June 30, 2017	\$ 360,477	\$ (360,477)	\$ -	\$ 1,845,191	19.54%
December 31, 2016	June 30, 2016	\$ 335,919	\$ (335,919)	\$ -	\$ 1,796,395	18.70%
December 31, 2015	June 30, 2015	\$ 347,718	\$ (347,718)	\$ -	\$ 1,593,643	21.82%

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

See Independent Auditors' Report.

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

(Unaudited)
 (Amounts expressed in thousands)

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, 2019	June 30, 2019	0.1159%	\$508,214	\$ 1,923,079	26.43%	7.75%
December 31, 2018	June 30, 2018	0.1170%	\$535,684	\$ 1,901,692	28.17%	7.53%
December 31, 2017	June 30, 2017	0.0806%	\$368,572	\$ 1,845,191	19.97%	7.91%

Schedule of Contributions

New Hampshire Retirement System Medical Subsidy

Fiscal Year	Valuation 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, 2019	June 30, 2019	\$52,902	(\$52,902)	\$0	\$3,274,797	1.6154%
December 31, 2018	June 30, 2018	\$51,753	(\$51,753)	\$0	\$3,220,141	1.6072%
December 31, 2017	June 30, 2017	\$47,777	(\$47,777)	\$0	\$2,150,334	2.2218%

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

See Independent Auditors' Report.

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

(Unaudited)
 (Amounts expressed in thousands)

	<u>2019</u>	<u>2018</u>
Total OPEB Liability		
Service cost	\$ 40,189	\$ 58,162
Interest on unfunded liability - time value of \$	14,377	18,468
Changes of assumptions	17,339	(80,833)
Benefit payments, including refunds of member contributions	<u>(46,888)</u>	<u>(50,875)</u>
Net change in total OPEB liability	25,017	(55,078)
Total OPEB liability - beginning	<u>497,800</u>	<u>552,878</u>
Total OPEB liability - ending	<u>\$ 522,817</u>	<u>\$ 497,800</u>

Does not include New Hampshire Retirement System Medical Subsidy.

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

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

See Independent Auditors' Report.