



TOWN OF HOLLIS, NEW HAMPSHIRE

Annual Financial Statements
For the Year Ended December 31, 2020

(With Independent Auditors' Report Thereon)

Contents

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	12
Statement of Activities	14
Fund Financial Statements:	
Governmental Funds:	
Balance Sheet	15
Reconciliation of Total Governmental Fund Balances to Net Position of Governmental Activities in the Statement of Net Position	16
Statement of Revenues, Expenditures, and Changes in Fund Balances	17
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues and Other Sources, and Expenditures and Other Uses - Budget and Actual - General Fund	19
Fiduciary Funds:	
Statement of Fiduciary Net Position	20
Statement of Changes in Fiduciary Net Position	21
Notes to Financial Statements	22

	<u>Page</u>
Required Supplementary Information:	
Pension:	
Schedule of Proportionate Share of the Net Pension Liability	52
Schedule of Pension Contributions	53
OPEB:	
Schedules of Proportionate Share and Contributions of the Net OPEB Liability	54
Schedules of Changes in the Total OPEB Liability	55
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	56



INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Hollis, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Town of Hollis, New Hampshire, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of 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

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

800.282.2440 | melansoncpas.com



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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the Town of Hollis, New Hampshire, as of December 31, 2020, and the respective changes in financial position and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 17 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, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 19, 2021 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our



testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

Merrimack, New Hampshire
April 19, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Hollis, 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 and deferred outflows and liabilities and deferred inflows, 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 fiscal periods (e.g., uncollected taxes and earned time off).

The government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities). The governmental activities include general government, public safety, 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 fiscal 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 Town'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 programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The Town's fiduciary funds are custodial funds, which report resources that are held by the Town for other parties outside of the Town's reporting entity. The custodial funds also include resources held in a trust by the Town for the benefit of two independent School Districts.

Notes to financial statements

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

Other information

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

Financial Highlights

- As of the close of the current year, the Town's net position was \$32,365,774, an increase of \$392,607 over the prior year.
- As of the close of the current year, governmental funds reported combined ending fund balances of \$8,027,824, an increase of \$232,847 in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$4,430,857, an increase of \$890,262 in comparison to the prior year.

- In November 2020, the Town issued refunding bonds in the amount of \$1,567,000.

Government-Wide Financial Analysis

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

	Net Position	
	Governmental	
	<u>Activities</u>	
	<u>2020</u>	<u>2019</u>
Assets:		
Current and other assets	\$ 23,300,329	\$ 19,472,018
Capital assets	<u>40,190,933</u>	<u>40,242,349</u>
Total assets	63,491,262	59,714,367
Deferred outflows of resources	<u>2,297,320</u>	<u>941,840</u>
Total assets and deferred outflows	<u>\$ 65,788,582</u>	<u>\$ 60,656,207</u>
Liabilities:		
Long-term liabilities	\$ 18,517,310	\$ 10,424,825
Other liabilities	<u>14,191,702</u>	<u>17,630,532</u>
Total liabilities	32,709,012	28,055,357
Deferred inflows of resources	713,796	627,683
Net position:		
Net investment in capital assets	33,176,095	32,425,707
Restricted	3,087,526	2,801,948
Unrestricted	<u>(3,897,847)</u>	<u>(3,254,488)</u>
Total net position	<u>32,365,774</u>	<u>31,973,167</u>
Total liabilities, deferred inflows, and net position	<u>\$ 65,788,582</u>	<u>\$ 60,656,207</u>

The largest portion of net position, \$33,176,095, reflects our investment in capital assets (e.g., land, buildings and improvements, machinery, equipment, and furnishings, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. An additional portion of net position, \$3,087,526 represents resources that are subject to restrictions on how they may be used.

Unrestricted net position has a negative balance of (\$3,897,847), resulting primarily from the Town's unfunded net pension liability and OPEB liability of \$9,091,913 and \$1,382,377, respectively.

Change in Net Position

	Governmental Activities	
	<u>2020</u>	<u>2019</u>
Revenues:		
Program revenues:		
Charges for services	\$ 836,178	\$ 873,377
Operating grants and contributions	14,021	16,164
Capital grants and contributions	371,988	232,944
General revenues:		
Property taxes	7,970,442	7,661,552
Licenses and permits	2,114,091	2,163,880
Penalties, interest, and other taxes	72,145	185,230
Grants and contributions not restricted to specific programs	461,581	400,805
Investment income	160,427	381,025
Miscellaneous	<u>232,190</u>	<u>181,083</u>
Total revenues	12,233,063	12,096,060
Expenses:		
General government	3,943,310	3,701,551
Public safety	4,193,709	3,665,605
Highways and streets	2,154,392	1,901,410
Sanitation	536,547	485,202
Health and welfare	56,758	55,078
Culture and recreation	469,897	465,462
Conservation	43,055	17,555
Interest and related costs	<u>442,788</u>	<u>131,218</u>
Total expenses	<u>11,840,456</u>	<u>10,423,081</u>
Change in net position	392,607	1,672,979
Net position - beginning of year	<u>31,973,167</u>	<u>30,300,188</u>
Net position - end of year	<u><u>\$ 32,365,774</u></u>	<u><u>\$ 31,973,167</u></u>

Governmental activities

Governmental activities for the year resulted in an increase in net position of \$392,607. Key elements of this change are as follows:

- Repayment of bonds payable and capital leases of \$1,161,557 contributes to positive change in net position when converted to accrual basis, as debt payments offset liability and are reported as expenditures.
- Capital asset acquisitions of \$929,849 acquired through current budgeted revenues contribute to positive change in net position as those costs are shown as assets and not functional expense on the accrual basis.
- The increase in pension expense from GASB 68 and depreciation expense of \$550,493 and \$947,998, respectively, contribute to negative change in net position. These expenses are only recorded on the accrual basis.

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 fiscal year.

As of the end of the current year, governmental funds reported combined ending fund balances of \$8,027,824, an increase of \$232,847 in comparison to the prior year. This slight increase is mainly due to the increase in property tax revenues of \$445,615, offset by an increase in general government expenditures of \$292,623.

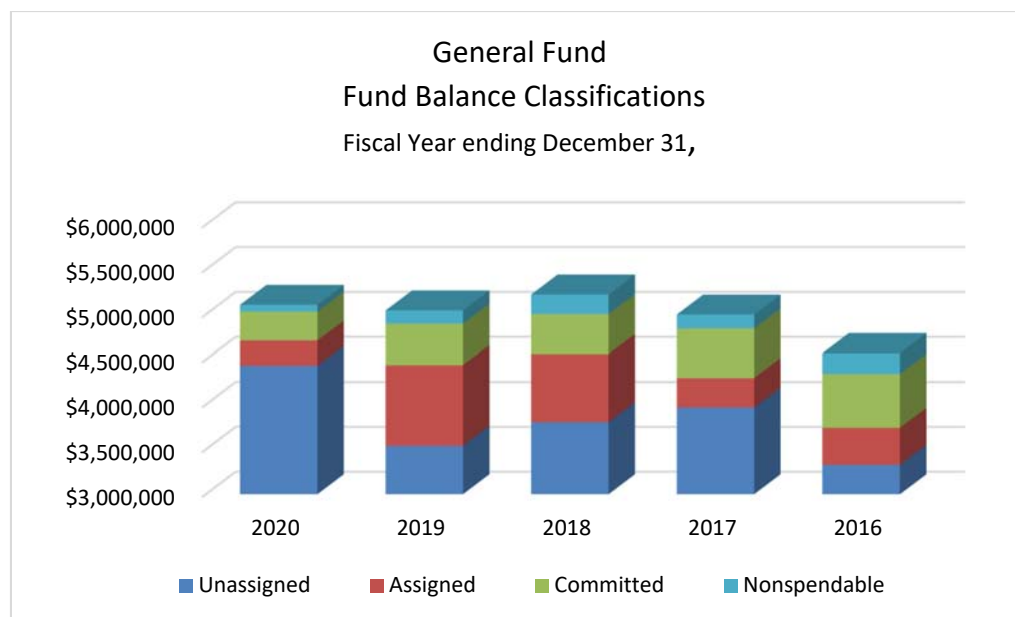
The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$4,430,857, while total fund balance was \$5,160,560. The Town's goal is to achieve and maintain an unassigned fund balance of at least 10% of general fund operating expenditures, including Town, School, and County appropriations. The table below shows general fund unassigned fund balance, compared to general fund appropriations for the past two years.

<u>For the Year Ended</u>	<u>General Fund Unassigned Fund Balance</u>	<u>General Fund Appropriations</u>	<u>% of General Fund Appropriations</u>
December 31, 2020	\$ 4,430,857	\$ 35,613,488	12%
December 31, 2019	3,540,595	35,010,616	10%

The fund balance of the general fund increased slightly by \$62,311 during the current year. Included in the total general fund balance are the Town's capital reserve funds with the following fund balances:

	December 31, <u>2020</u>	December 31, <u>2019</u>	<u>Change</u>
<u>Committed Fund Balance</u>			
Compensated absences	\$ 129,470	\$ 122,943	\$ 6,527
Emergency municipal building and facility maintenance	59,481	201,683	(142,202)
Environmental defense study	53,157	52,825	332
Flint Pond restoration	292	10,622	(10,330)
Municipal transportation	50,199	41,927	8,272
Revaluation	28,032	28,838	(806)
Total	<u>\$ 320,631</u>	<u>\$ 458,838</u>	<u>\$ (138,207)</u>

The chart below depicts the general fund balance classifications over the last five years:



General Fund Budgetary Highlights

Differences between the general fund original budget and the final amended budget resulted in an overall increase in appropriations of \$441,274. This change relates to carryforwards from the prior year budget that were expended in the current year.

The difference between the final amended budget and actual results is a positive variance of \$1,328,647 with revenues and other sources over estimated budgets by \$641,648 and expenditures and other uses less than the estimated budget by \$686,999. Significant variances include:

- Positive variance in Property Taxes of \$440,881 is mainly attributed to an increase in collections.
- Positive variance in Licenses and Permits of \$171,703 is mainly attributed to the increase in Motor Vehicle registrations.
- Positive variance in General Government of \$297,243 is mainly attributed to savings in health insurance and retirement expenditures.

Capital Assets and Debt Administration

Capital assets

Total capital assets for governmental activities (net of accumulated depreciation) at year-end amounted to \$40,190,933, a decrease of \$51,418 from the prior year. These capital assets include land, land improvements, buildings, building improvements, vehicles, machinery and equipment, and infrastructure.

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

- The purchase of an ambulance for \$248,238.
- A donation to the Conservation Commission of 15.5 acres of land on Nartoff Road.
- The purchase of an engine pumper truck for \$136,124.

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

Credit rating

The Town maintained the Moody Investor Services rating of Aa2 during the year. The rating reflects the Town's moderately-sized tax base with above average wealth levels, manageable debt burden, and a multiple year trend of improving financial operations and healthy reserves.

Long-term debt

At the end of the current year, total bonded debt outstanding was \$6,545,000, all of which was backed by the full faith and credit of the government. In November 2020, the Town issued a general obligation refunding bond in the amount of \$1,567,000 with an interest rate of 2.00%. This bond refunded the existing 2014 Series B-2 general obligation bond that had a balance of \$1,507,000.

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 Hollis' 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 the Finance Director
Town of Hollis, New Hampshire
7 Monument Square
Hollis, New Hampshire 03049

TOWN OF HOLLIS, NEW HAMPSHIRE

Statement of Net Position
December 31, 2020

Assets and Deferred Outflows of Resources	Governmental Activities
Assets	
Current:	
Cash and short-term investments	\$ 20,280,537
Investments	1,220,329
Receivables:	
Property taxes	992,908
Departmental and other	42,661
Other assets	<u>75,797</u>
Total current assets	22,612,232
Noncurrent:	
Deposit on asset	688,097
Capital assets:	
Land	28,118,660
Other capital assets, net of accumulated depreciation	<u>12,072,273</u>
Total noncurrent assets	<u>40,879,030</u>
Total Assets	63,491,262
Deferred Outflows of Resources	
Related to pensions	2,058,558
Related to OPEB	<u>238,762</u>
Total Deferred Outflows of Resources	<u>2,297,320</u>
Total Assets and Deferred Outflows of Resources	\$ <u>65,788,582</u>

(Continued)

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

TOWN OF HOLLIS, NEW HAMPSHIRE

Statement of Net Position
December 31, 2020

(Continued)

Liabilities, Deferred Inflows of Resources, and Net Position	Governmental Activities
Liabilities	
Current:	
Accounts payable	\$ 191,177
Accrued expenses	206,633
Due to custodial fund	13,017,586
Unearned revenue	44,374
Tax abatement liability	245,629
Other liabilities	486,303
Current portion of noncurrent liabilities:	
Bonds payable	978,700
Compensated absences	34,009
Capital leases	<u>262,467</u>
Total current liabilities	15,466,878
Noncurrent:	
Bonds payable, net of current portion	5,566,300
Compensated absences, net of current portion	306,076
Capital leases, net of current portion	895,468
Net pension liability	9,091,913
Total OPEB liability	<u>1,382,377</u>
Total noncurrent liabilities	<u>17,242,134</u>
Total Liabilities	32,709,012
Deferred Inflows of Resources	
Related to pensions	483,035
Related to OPEB	<u>230,761</u>
Total Deferred Inflows of Resources	713,796
Net Position	
Net investment in capital assets	33,176,095
Restricted for:	
Conservation	1,138,044
Public safety	428,444
Culture and recreation	264,927
Other purposes	98,404
Permanent funds:	
Nonexpendable	793,069
Expendable	364,638
Unrestricted (deficit)	<u>(3,897,847)</u>
Total Net Position	<u>32,365,774</u>
Total Liabilities, Deferred Inflows of Resources, and Net Position	\$ <u>65,788,582</u>

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

TOWN OF HOLLIS, NEW HAMPSHIRE

Statement of Activities
For the Year Ended December 31, 2020

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position
		Charges for	Operating	Capital	
	<u>Expenses</u>	<u>Services</u>	<u>Grants and</u> <u>Contributions</u>	<u>Grants and</u> <u>Contributions</u>	<u>Governmental</u> <u>Activities</u>
Governmental Activities					
General government	\$ 3,943,310	\$ 159,367	\$ -	\$ 147,400	\$ (3,636,543)
Public safety	4,193,709	603,972	-	-	(3,589,737)
Highways and streets	2,154,392	13,250	-	224,588	(1,916,554)
Sanitation	536,547	49,365	-	-	(487,182)
Health and welfare	56,758	850	-	-	(55,908)
Culture and recreation	469,897	9,374	14,021	-	(446,502)
Conservation	43,055	-	-	-	(43,055)
Interest and related costs	442,788	-	-	-	(442,788)
Total	<u>\$ 11,840,456</u>	<u>\$ 836,178</u>	<u>\$ 14,021</u>	<u>\$ 371,988</u>	<u>(10,618,269)</u>
General Revenues					
					7,970,442
Property taxes					2,114,091
Motor vehicle registrations					72,145
Penalties, interest, and other taxes					461,581
Grants and contributions not restricted to specific programs					160,427
Investment income					232,190
Miscellaneous					<u>11,010,876</u>
Total general revenues					<u>392,607</u>
Change in Net Position					
Net Position					
Beginning of year					<u>31,973,167</u>
End of year					<u>\$ 32,365,774</u>

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

TOWN OF HOLLIS, NEW HAMPSHIRE

Governmental Funds
Balance Sheet
December 31, 2020

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets			
Cash and short-term investments	\$ 18,448,579	\$ 1,831,958	\$ 20,280,537
Investments	-	1,220,329	1,220,329
Receivables:			
Property taxes	869,308	123,600	992,908
Departmental and other	-	42,661	42,661
Due from other funds	122,932	57,697	180,629
Other assets	<u>75,797</u>	<u>-</u>	<u>75,797</u>
Total Assets	\$ <u>19,516,616</u>	\$ <u>3,276,245</u>	\$ <u>22,792,861</u>
Liabilities, Deferred Inflows of Resources, and Fund Balances			
Liabilities			
Accounts payable	\$ 183,086	\$ 8,091	\$ 191,177
Accrued expenses	206,633	-	206,633
Due to custodial fund	13,017,586	-	13,017,586
Due to other funds	-	180,629	180,629
Unearned revenue	44,374	-	44,374
Tax abatement liability	245,629	-	245,629
Other liabilities	<u>486,303</u>	<u>-</u>	<u>486,303</u>
Total Liabilities	14,183,611	188,720	14,372,331
Deferred Inflows of Resources			
Unavailable revenues	226,445	166,261	392,706
Fund Balances			
Nonspendable	75,797	793,069	868,866
Restricted	-	2,128,195	2,128,195
Committed	320,631	-	320,631
Assigned	279,275	-	279,275
Unassigned	<u>4,430,857</u>	<u>-</u>	<u>4,430,857</u>
Total Fund Balances	<u>5,106,560</u>	<u>2,921,264</u>	<u>8,027,824</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	\$ <u>19,516,616</u>	\$ <u>3,276,245</u>	\$ <u>22,792,861</u>

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

TOWN OF HOLLIS, 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	\$ 8,027,824
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	40,190,933
Deposit on capital asset	688,097
Property taxes and other revenues are recognized on the accrual basis of accounting in the Statement of Net Position, not the modified accrual basis.	392,706
Deferred outflows and inflows of resources related to pension and OPEB are not financial resources nor are they available to pay current-period expenditures. Outflows and inflows consist of:	
Pension related deferred outflows	2,058,558
OPEB related deferred outflows	238,762
Pension related deferred inflows	(483,035)
OPEB related deferred inflows	(230,761)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Long-term liabilities at year end consist of:	
Bonds payable	(6,545,000)
Compensated absences	(340,085)
Capital leases	(1,157,935)
Net pension liability	(9,091,913)
Total OPEB liability	<u>(1,382,377)</u>
Net position of governmental activities	\$ <u>32,365,774</u>

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

TOWN OF HOLLIS, NEW HAMPSHIRE

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

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	\$ 7,760,010	\$ 339,914	\$ 8,099,924
Penalties, interest, and other taxes	72,145	-	72,145
Licenses and permits	2,319,728	-	2,319,728
Charges for services	415,208	223,893	639,101
Intergovernmental	686,169	14,021	700,190
Investment income	72,008	88,419	160,427
Miscellaneous	<u>148,770</u>	<u>83,417</u>	<u>232,187</u>
Total Revenues	11,474,038	749,664	12,223,702
Expenditures			
Current:			
General government	3,862,698	64,223	3,926,921
Public safety	3,755,305	417,469	4,172,774
Highways and streets	1,844,480	175	1,844,655
Sanitation	536,547	-	536,547
Health and welfare	56,722	36	56,758
Culture and recreation	27,842	379,230	407,072
Conservation	30,393	12,662	43,055
Debt service:			
Principal	826,000	-	826,000
Interest and related costs	<u>237,073</u>	<u>-</u>	<u>237,073</u>
Total Expenditures	<u>11,177,060</u>	<u>873,795</u>	<u>12,050,855</u>
Excess (deficiency) of revenues over expenditures	296,978	(124,131)	172,847
Other Financing Sources (Uses)			
Issuance of refunding bonds	1,567,000	-	1,567,000
Payment to refunded bond escrow agent	(1,507,000)	-	(1,507,000)
Transfers in	19,333	318,479	337,812
Transfers out	<u>(314,000)</u>	<u>(23,812)</u>	<u>(337,812)</u>
Total Other Financing Sources (Uses)	<u>(234,667)</u>	<u>294,667</u>	<u>60,000</u>
Change in fund balance	62,311	170,536	232,847
Fund Balance, at Beginning of Year	<u>5,044,249</u>	<u>2,750,728</u>	<u>7,794,977</u>
Fund Balance, at End of Year	\$ <u><u>5,106,560</u></u>	\$ <u><u>2,921,264</u></u>	\$ <u><u>8,027,824</u></u>

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

TOWN OF HOLLIS, 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	\$ 232,847
Governmental funds report 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 asset additions, net of disposals	863,209
Depreciation	(947,998)
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., property taxes) differ between the two statements.	(138,040)
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:	
Issuance of refunding bonds	(1,567,000)
Deposit to escrow refunding agent	1,507,000
Repayment of bonds	826,000
Amortization of gain on refunding	(205,715)
Repayment of capital leases	335,557
Some expenses reported in the Statement of Activities, such as compensated absences, net pension liability, and total OPEB liability, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	
Increase in compensated absences	(36,808)
Increase in pension expense from GASB 68	(550,493)
Decrease in OPEB expense from GASB 75	74,048
Change in net position of governmental activities	\$ <u>392,607</u>

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

TOWN OF HOLLIS, NEW HAMPSHIRE

General Fund

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

	Budgeted Amounts			Actual	Variance with
	Original	From Prior	Final	Amounts	Final Budget
	<u>Budget</u>	<u>Years'</u>	<u>Budget</u>	(Budgetary	Positive
		<u>Budgets</u>		<u>Basis</u>)	<u>(Negative)</u>
Revenues and Other Sources					
Property taxes	\$ 7,319,129	\$ -	\$ 7,319,129	\$ 7,760,010	\$ 440,881
Penalties, interest, and other taxes	67,630	-	67,630	72,145	4,515
Licenses and permits	2,148,025	-	2,148,025	2,319,728	171,703
Charges for services	375,277	-	375,277	415,208	39,931
Intergovernmental	688,700	-	688,700	686,169	(2,531)
Investment income	75,001	-	75,001	69,045	(5,956)
Miscellaneous	88,298	-	88,298	148,770	60,472
Transfers in	86,700	-	86,700	19,333	(67,367)
Use of fund balance	<u>732,130</u>	<u>441,274</u>	<u>1,173,404</u>	<u>1,173,404</u>	<u>-</u>
Total Revenues and Other Sources	11,580,890	441,274	12,022,164	12,663,812	641,648
Expenditures and Other Uses					
Current:					
General government	3,786,462	86,567	3,873,029	3,575,786	297,243
Public safety	3,709,148	168,958	3,878,106	3,771,305	106,801
Highways and streets	1,820,903	185,749	2,006,652	1,844,480	162,172
Sanitation	558,202	-	558,202	536,547	21,655
Health and welfare	57,900	-	57,900	56,722	1,178
Culture and recreation	48,200	-	48,200	27,842	20,358
Conservation	69,001	-	69,001	30,393	38,608
Debt service:					
Principal	826,000	-	826,000	826,000	-
Interest and related costs	177,074	-	177,074	177,073	1
Transfers out	<u>528,000</u>	<u>-</u>	<u>528,000</u>	<u>489,017</u>	<u>38,983</u>
Total Expenditures and Other Uses	<u>11,580,890</u>	<u>441,274</u>	<u>12,022,164</u>	<u>11,335,165</u>	<u>686,999</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>1,328,647</u>	\$ <u>1,328,647</u>

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

TOWN OF HOLLIS, NEW HAMPSHIRE

Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2020

	Custodial Funds
Assets	
Cash and short-term investments	\$ 857,346
Investments	516,363
Due from Primary Government	<u>13,017,586</u>
Total Assets	<u><u>\$ 14,391,295</u></u>
Liabilities and Net Position	
Liabilities	
Due to School Districts	\$ 13,017,586
Net Position	
Restricted for other governments	<u>1,373,709</u>
Total Liabilities and Net Position	<u><u>\$ 14,391,295</u></u>

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

TOWN OF HOLLIS, NEW HAMPSHIRE

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

	Custodial Funds
Additions	
Contributions from School Districts	\$ 333,006
Investment earnings	25,848
Taxes collected for School Districts	22,867,587
Taxes collected for County	1,568,841
Fees collected for State of New Hampshire	<u>618,650</u>
Total Additions	25,413,932
Deductions	
Payments of taxes to School Districts	22,867,587
Payment of taxes to County	1,568,841
Payments of fees to State of New Hampshire	618,650
Payments on behalf of School Districts	<u>9,687</u>
Total Deductions	<u>25,064,765</u>
Net Increase	349,167
Net Position Restricted for Other Governments	
Beginning of year	<u>1,024,542</u>
End of year	<u>\$ 1,373,709</u>

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

TOWN OF HOLLIS, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Hollis, 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 Town and applicable component units for which the Town is considered to be financially accountable. In fiscal year 2020, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. 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 is offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund is reported as a separate column in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are 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 fiscal 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, compensated absences, OPEB, and pension are recorded only when payment is due.

The Town reports the following major governmental fund:

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

The 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 fund:

- The *custodial funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements. Custodial funds include taxes and fees collected on behalf of other governments as well as capital reserve funds held in a trust on behalf of Hollis Brookline Cooperative School District and Hollis School District.

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, permanent, and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, money markets, and savings accounts. The interest earnings attributable to each fund type are included under investment income.

Under New Hampshire RSA 41:29, whenever the Town's treasurer has in custody an excess of funds which are not immediately needed for the purpose of expenditure, the funds should be invested in accordance with the investment policy adopted by the Board of Selectmen under RSA 41:9, VII. The treasurer may invest in the public deposit investment pool established pursuant to RSA 383:22, or in deposits, including money market accounts, certificates of deposit, repurchase agreements, and all other types of interest-bearing accounts of federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the state, or in obligations fully guaranteed as to principal and interest by the United States Government. The obligations may be held directly or in the form of securities of or other interest in any open-end or closed-end management-type investment company or investment trust registered under 15 U.S.C. section 80a-1 et seq., if the portfolio of the investment company or investment trust is limited to such obligations and the repurchase agreements fully collateralized by such obligations.

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.

Assets of the Trust Funds may only be invested in accordance with the relevant RSA sections. RSA 35:9 specifies that Capital Reserves may only be deposited in banking institutions either domiciled or doing business under the laws of the State of N.H. or of the U.S. Government. Likewise, RSA 31:25 specifies that General Trust Funds may only be deposited in banking institutions as stated above. However, in addition to those investments specified for Capital Reserves, General Trust Funds may also be invested in those stocks, bonds and mutual funds that may be invested in by the N.H. Savings Banks or as specified by the State Banking Commission.

Investments are carried at fair value, except the investment in NHPDIP, which is reported at amortized cost.

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 “due from/to other funds”.

Capital Assets

Capital assets, which include land, buildings and improvements, machinery, equipment, and furnishings, and infrastructure, are reported in the governmental activities column 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.

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

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

Compensated Absences

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

Long-Term Obligations

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

Fund Equity

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

Fund Balance

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

expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

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

Net Position

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

Fund Balance Policy

The Town's fund balance goal is to achieve and maintain an unassigned fund balance of at least 10% of general fund operating expenditures, including Town, School, and County appropriations.

Use of Estimates

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

2. Stewardship, Compliance and Accountability

Budgetary Information

The Town's budget is originally prepared by the Board of Selectmen 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 Board of Selectmen cannot increase the total of the approved budget; however, they have the power to reclassify its components when necessary.

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 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 and Other Financing Sources</u>	<u>Expenditures and Other Financing Sources</u>
Revenues/Expenditures (GAAP basis)	\$ 11,474,038	\$ 11,177,060
Other financing sources/uses (GAAP basis)	<u>1,586,333</u>	<u>1,821,000</u>
Subtotal (GAAP Basis)	13,060,371	12,998,060
Add 2020 appropriation carryforwards to expenditures	-	45,275
Reverse capital reserve fund activity	(2,963)	(141,170)
To reverse refunding activity	(1,567,000)	(1,567,000)
To record use of assigned fund balance	441,274	-
To record use of unassigned fund balance	<u>732,130</u>	<u>-</u>
Budgetary Basis	<u>\$ 12,663,812</u>	<u>\$ 11,335,165</u>

3. Deposits and Investments**Custodial Credit Risk**

The custodial credit risk for deposits or investments is the risk that, in the event of the failure of the bank or counterparty to a transaction, the Town will not be able to recover the value of its deposits, investments, or collateral securities that are in possession of another party. The Town’s policy is to follow New Hampshire RSA 41:29 and 383:22.

As of December 31, 2020, the Town's deposits and short-term investments bank balance of \$19,994,524 was either collateralized or held by a third party in the Town's name. The Town's investments of \$1,736,692 were held by a third party in the Town's name. The Town also held \$1,177,184 in NHPDIP, a state investment pool, which is not subject to custodial credit risk disclosure.

Investments in the NHPDIP are not investment securities and, as such, are not categorized by risk. The Town's exposure to derivatives is indirect through its participation in the NHPDIP. The Town's proportional share of these derivatives is not available. The value of the position in the investment pool is equal to the value of the pool shares. In accordance with GASB 79, the pool's portfolio securities are valued at amortized cost.

Investment Summary

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

<u>Investment Type</u>	<u>Amount</u>
Corporate equities	\$ 1,060,674
Fixed income mutual funds	<u>676,018</u>
Total investments	<u>\$ 1,736,692</u>

Credit Risk

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

The Town's Investment Policy minimizes credit risk by limiting investments to the following securities:

- Checking accounts
- Short-term obligations of U.S. Government and State of New Hampshire agencies approved for investment purposes by the Board of Selectmen
- Fully insured or collateralized certificates of deposits
- Repurchase agreements fully collateralized by U.S. Treasury Securities
- New Hampshire Public Deposit Investment Pool

The Trustees of Trust Funds investment policy minimizes credit risk by requiring that all individual fixed income securities have a minimum Standard and Poor's quality rating of "BBB" and by limiting investments as follows:

	General Trust <u>Funds</u>	Charles J. Nichols <u>Fund</u>
Equities	55% - 65%	35% - 45%
Fixed income	35% - 45%	55% - 65%
Cash and cash equivalents	0% - 5%	0% - 5%

The following are debt related securities held by the Trustees of Trust Funds as of December 31, 2020, with their corresponding rating:

<u>Investment Type</u>	<u>Amount</u>	<u>Standards & Poors Global Rating</u>				
		<u>AAA</u>	<u>AA-A</u>	<u>BBB-B</u>	<u>Below B</u>	<u>Unrated</u>
Fixed income mutual funds	\$ 676,018	\$ 172,078	\$ 138,130	\$ 206,786	\$ 6,532	\$ 152,492

Concentration of Credit Risk

Per the Trustees of Trust Funds investment policy, investments in fixed income securities shall not exceed 10 percent except obligations of the United States and/or of the State of New Hampshire and its subdivisions.

Additionally, a majority of the equity investments should be in companies exceeding market capitalization of \$15 billion including:

- The exposure to any single company will not exceed 10 percent.
- The size of each investment not to exceed 10 percent.
- The maximum exposure to any single industry or market sector will not exceed 25 percent.
- Allowable investments include stocks, mutual funds and exchange traded funds.

Except for investments in mutual funds, the Town did not have any investments in any one issuer that exceeded 5% of total investments.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

The average effective duration in years of debt related securities (fixed income mutual funds) at December 31, 2020 was 4.89.

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 a policy covering foreign currency risk. As of December 31, 2020, the Town does not have any foreign investments.

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. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Debt securities classified in Level 2 are valued using bid-side evaluations. The rules-based logic utilizes valuation techniques that reflect market participants' assumptions and vary by asset class and per methodology, and maximizes the use of relevant observable data including quoted prices for similar assets, benchmark yield curves and market corroborated inputs.

The Town does not have any Level 3 investments.

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

Description	Amount	Fair Value Measurements Using:		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Investments by fair value level:				
Debt securities:				
Fixed income mutual funds	\$ 676,018	\$ -	\$ 676,018	\$ -
Equity securities:				
Consumer cyclical	83,670	83,670	-	-
Consumer staples	65,066	65,066	-	-
Energy	131,045	131,045	-	-
Financials	43,308	43,308	-	-
Healthcare	108,322	108,322	-	-
Information Technology	37,913	37,913	-	-
Other	73,207	73,207	-	-
Equity mutual funds	518,143	518,143	-	-
Total	\$ 1,736,692	\$ 1,060,674	\$ 676,018	\$ -

4. Property Taxes Receivable

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied. Property taxes billed or collected in advance of the year for which they are levied are recorded as a prepaid tax liability.

Property taxes are due on July 1 and December 1. Delinquent accounts are charged 8% interest. At the time of tax sale, in March of the next year, a lien is recorded on the 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 lienied 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 18%. The Town annually budgets an amount (overlay for abatements) for property tax abatements and refunds.

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

Property taxes:	
2020 levy	\$ 750,937
Unredeemed taxes:	
2019 levy	65,288
2018 levy	19,644
2017 levy	4,823
2016 levy	4,869
2011 - 2015 levies	23,487
Land use tax	123,600
Yield tax	<u>260</u>
Total Property Taxes Receivable	\$ <u><u>992,908</u></u>

Taxes Collected for Others

The Town collects property taxes for the Hollis School District, the Hollis Brookline Co-op, and the County of Hillsborough, New Hampshire. 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. Interfund Transactions

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, 2020 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 122,932	\$ -
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Ambulance	-	154
Conservation	-	123,606
Highway block grant	57,310	-
Library	-	55,807
Police private details	-	1,062
Zylonis	387	-
Total	<u>\$ 180,629</u>	<u>\$ 180,629</u>

The Town reports interfund transfers among many of its funds. The sum of all transfers presented in the table agrees with the sum of interfund transfers presented in the governmental financial statements. The following is an analysis of the interfund transfers made in fiscal year 2020:

<u>Governmental Funds</u>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 19,333	\$ 314,000
Nonmajor Governmental Funds:		
Capital Project Fund	-	3,936
Special Revenue Funds:		
Ambulance	578	-
Library	316,158	-
Zylonis	1,743	-
Permanent Trust Funds:		
Ambulance	-	578
Cemetery	-	12,684
Charles J. Nichols	-	2,501
Charles Zylonis - Library	-	1,743
Library	-	2,158
Nichols Field Horse Ring	-	66
Public Welfare	-	146
Total	<u>\$ 337,812</u>	<u>\$ 337,812</u>

Transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) to move interest

income between funds. Additionally, the \$314,000 transfer from the general fund to the library special revenue fund represents the annual funding of operations of the Library.

6. 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	\$ 10,580,040	\$ 200,826	\$ (26,965)	\$ 10,753,901
Machinery, equipment, and furnishings	7,906,171	524,893	(269,439)	8,161,625
Infrastructure	<u>13,950,593</u>	<u>-</u>	<u>-</u>	<u>13,950,593</u>
Total capital assets, being depreciated	32,436,804	725,719	(296,404)	32,866,119
Less accumulated depreciation for:				
Buildings and improvements	(6,086,009)	(234,655)	1,798	(6,318,866)
Machinery, equipment, and furnishings	(5,538,819)	(437,733)	261,337	(5,715,215)
Infrastructure	<u>(8,484,155)</u>	<u>(275,610)</u>	<u>-</u>	<u>(8,759,765)</u>
Total accumulated depreciation	<u>(20,108,983)</u>	<u>(947,998)</u>	<u>263,135</u>	<u>(20,793,846)</u>
Total capital assets, being depreciated, net	12,327,821	(222,279)	(33,269)	12,072,273
Capital assets, not being depreciated:				
Land	<u>27,914,530</u>	<u>204,130</u>	<u>-</u>	<u>28,118,660</u>
Total capital assets, not being depreciated	<u>27,914,530</u>	<u>204,130</u>	<u>-</u>	<u>28,118,660</u>
Governmental activities capital assets, net	<u>\$ 40,242,351</u>	<u>\$ (18,149)</u>	<u>\$ (33,269)</u>	<u>\$ 40,190,933</u>

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

Governmental Activities:	
General government	\$ 63,994
Public safety	447,796
Highways and streets	379,355
Culture and recreation	<u>56,853</u>
Total	<u>\$ 947,998</u>

7. 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.

8. Accounts Payable

Accounts payable represent 2020 expenditures paid after December 31, 2020.

9. Tax Abatement Liability

The tax abatement liability represents a Settlement Agreement with Eversource Energy (PSNH). PSNH appealed the Town's property tax assessments for tax years 2016, 2015, and 2014 with the New Hampshire Board of Tax and Land Appeals (BTLA). To settle and resolve the BTLA appeal, the Town agreed to pay PSNH \$491,257 over a period of 3 years, ending on or around July 1, 2022.

10. Capital Leases

The Town is the lessee of certain equipment under capital leases expiring in various years through 2026. Future minimum payments under the capital leases consisted of the following as of December 31, 2020:

	Governmental <u>Activities</u>
2021	\$ 291,108
2022	253,589
2023	253,590
2023	230,703
2025	156,585
2026	<u>52,677</u>
Total minimum lease payments	1,238,252
Less: amounts representing interest	<u>(80,317)</u>
Present value of minimum lease payments	<u><u>\$ 1,157,935</u></u>

11. Long-Term Debt

Long-Term Debt Supporting Activities

General obligation bonds issued by the Town for acquisition and construction for capital items are approved by the Board of Selectmen. General obligation bonds, compensated absences, the net pension liability, and the total OPEB liability are repaid from revenues recorded in the general fund.

General obligation bonds currently outstanding are as follows:

	Serial Maturities Through	Interest Rate %	Amount Outstanding as of 12/31/20
<u>Governmental Activities:</u>			
GO Refunding Bond 2014 Series B-1	08/15/25	2.41%	\$ 1,713,000
GO Bond - Land Acquisition	02/01/27	2.14%	3,265,000
GO Refunding Bonds	11/30/30	2.00%	<u>1,567,000</u>
Total Governmental Activities - Direct Placement			<u>\$ 6,545,000</u>

Future Debt Service

The annual payments to repay bonds payable outstanding as of December 31, 2020 are as follows:

Governmental Activities	Principal	Interest	Total
2021	\$ 978,700	\$ 138,038	\$ 1,116,738
2022	973,700	116,246	1,089,946
2023	964,700	94,629	1,059,329
2024	959,700	73,207	1,032,907
2025	954,700	51,819	1,006,519
2026 - 2030	<u>1,713,500</u>	<u>66,912</u>	<u>1,780,412</u>
Total	<u>\$ 6,545,000</u>	<u>\$ 540,851</u>	<u>\$ 7,085,851</u>

Changes in General Long-Term Liabilities

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

	Total Balance 1/1/20	Additions	Reductions	Total Balance 12/31/20	Less Current Portion	Equals Long-Term Portion 12/31/20
Governmental Activities						
Bonds payable - direct placement	\$ 7,311	\$ 1,567	\$ (2,333)	\$ 6,545	\$ (979)	\$ 5,566
Compensated absences	303	81	(44)	340	(34)	306
Capital leases	1,494	-	(336)	1,158	(262)	896
Net pension liability	6,988	2,104	-	9,092	-	9,092
Total OPEB liability	<u>1,535</u>	<u>-</u>	<u>(153)</u>	<u>1,382</u>	<u>-</u>	<u>1,382</u>
Totals	<u>\$ 17,631</u>	<u>\$ 3,752</u>	<u>\$ (2,866)</u>	<u>\$ 18,517</u>	<u>\$ (1,275)</u>	<u>\$ 17,242</u>

Current Refunding

Current Year

On November 30, 2020, the Town issued general obligation refunding bonds in the amount of \$1,567,000 for the purpose of refunding \$1,507,000 of the existing 2014

general obligation series B-2 bonds. The 2020 refunding bonds have an interest rate of 2.00% and annual principal payments of \$156,700, with the final payment due November 30, 2030. The refunded 2014 bonds carried an interest rate of 3.36% and was originally due on August 15, 2035. The proceeds of the new bonds will be applied to pay the principal on, accrued interest on and the redemption premium on the 2014 Bonds on November 30, 2020 which date is less than 90 days after the date of the issuance of the bonds.

12. 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 to liquidate liabilities of the current year.

13. 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, 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 permanent trust funds (nonexpendable portion) and non-cash assets, such as inventories or prepaid items.

Restricted

Represents funds legally restricted for specific purposes, such as grants, library, income balance of permanent funds, and capital project funds that cannot change purpose.

Committed

Represents amounts that can only be used for specific purposes pursuant to a formal vote at Town meeting; such as expendable trust (capital reserve), nonlapsing appropriations, and other special revenue funds not listed under restricted that can change purpose via vote at Town Meeting. The Town Meeting, as the government's highest level of decision-making authority, may authorize special revenue funds in accordance with the provisions of New Hampshire Revised Statutes Annotated (RSAs) and capital reserve funds.

Assigned

Represents amounts intended by the Board for specific purposes. The Board can choose to delegate this authority to the Town Administrator or Finance Officer, depending on the situation. Items that would fall under this type of fund balance could be encumbrances. All appropriations shall lapse at the end of the fiscal year unless authorized in accordance with the provision of RSA 32:7.

Unassigned

Represents residual spendable fund balance after subtracting all of the above amounts.

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

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Nonspendable:			
Prepaid expenses	\$ 75,797	\$ -	\$ 75,797
Nonexpendable permanent funds:			
Charles Nichols	-	251,980	251,980
Charles Zylonis	-	91,736	91,736
Common Cemetery	-	248,278	248,278
All remaining	<u>-</u>	<u>201,075</u>	<u>201,075</u>
Total Nonspendable	75,797	793,069	868,866
Restricted:			
Expendable permanent funds:			
Charles Nichols	-	41,797	41,797
Charles Zylonis	-	6,747	6,747
Common Cemetery	-	60,400	60,400
All remaining	-	255,694	255,694
Special revenue funds:			
Ambulance	-	369,141	369,141
Conservation	-	1,014,444	1,014,444
Library	-	62,088	62,088
Pearl Rideout - Library	-	70,481	70,481
All remaining	<u>-</u>	<u>247,403</u>	<u>247,403</u>
Total Restricted	-	2,128,195	2,128,195
Committed:			
Compensated absences	129,470	-	129,470
Emergency municipal building and facility maintenance	59,481	-	59,481
Environmental defense study	53,157	-	53,157
Flint Pond restoration	292	-	292
Municipal transportation	50,199	-	50,199
Revaluation	<u>28,032</u>	<u>-</u>	<u>28,032</u>
Total Committed	320,631	-	320,631
Assigned:			
Encumbered for:			
Cemetery	3,000	-	3,000
Fire	16,000	-	16,000
Scanning	23,275	-	23,275
Trails Committee	3,000	-	3,000
Use of fund balance for 2021	<u>234,000</u>	<u>-</u>	<u>234,000</u>
Total Assigned	279,275	-	279,275
Unassigned	<u>4,430,857</u>	<u>-</u>	<u>4,430,857</u>
Total Unassigned	<u>4,430,857</u>	<u>-</u>	<u>4,430,857</u>
Total Fund Balance	\$ <u>5,106,560</u>	\$ <u>2,921,264</u>	\$ <u>8,027,824</u>

14. 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).

General Information about the Pension Plan

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 governing body of the political subdivision has elected participation.

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

Benefits Provided

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

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

Years of Creditable Service as of <u>January 1, 2012</u>	<u>Minimum</u> <u>Age</u>	<u>Minimum</u> <u>Service</u>	<u>Benefit</u> <u>Multiplier</u>
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	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, 11.55% for police, and 11.80% for fire. The Town makes contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, III, which is 10.88% for employees, 24.77% for police, and 26.43% for fire. The Town's contribution to NHRS for the year ended December 31, 2020 was \$665,408 (exclusive of \$70,216 in medical subsidy contributions), 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 \$9,091,913 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2019. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2020, the Town's proportion was 0.14%.

For the year ended December 31, 2020, the Town recognized pension expense of \$1,215,292. 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	\$ 245,526	\$ (97,621)
Changes in proportion	1,464	(385,414)
Net difference between projected and actual earnings on pension plan investments	562,345	-
Changes in assumption	899,370	-
Contributions subsequent to the measurement date	349,853	-
Total	<u>\$ 2,058,558</u>	<u>\$ (483,035)</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:

2021	\$ 138,307
2022	304,883
2023	389,016
2024	<u>393,464</u>
Total	<u>\$ 1,225,670</u>

Actuarial Assumptions

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

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

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

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

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

Target Allocation

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These

ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Weighted Average Average Long- Term Expected Real Rate of Return</u>
Large cap equities	22.50 %	3.71%
Small/mid cap equities	<u>7.50</u>	4.15%
Total domestic equities	30.00	
Int'l equities (unhedged)	13.00	3.96%
Emerging int'l equities	<u>7.00</u>	6.20%
Total international equities	20.00	
Core bonds	9.00	0.42%
Global multi-sector fixed income	10.00	1.66%
Absolute return fixed income	<u>6.00</u>	0.92%
Total fixed income	25.00	
Private equity	10.00	7.71%
Private debt	<u>5.00</u>	4.81%
Total alternative investments	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:

<u>1%</u> <u>Decrease</u>	<u>Current</u> <u>Discount</u> <u>Rate</u>	<u>1%</u> <u>Increase</u>
\$ 11,770,327	\$ 9,091,913	\$ 6,903,294

Pension Plan Fiduciary Net Position

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

15. Other Post-Employment Benefits (GASB 75)

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

Town OPEB Plan

All the following OPEB disclosures for the Town OPEB Plan are based on an actuarial valuation performed as of January 1, 2020, with 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 January 1, 2020, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries	
currently receiving benefit payments	4
Active plan members	<u>54</u>
Total	<u><u>58</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

The total OPEB liability was determined by an actuarial valuation as of January 1, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.40%
Discount Rate	2.12%
Ultimate Medical Trend Rate	4.00%

The discount rate was based on the Bond Buyer 20-Bond GO Index published on December 29, 2020.

Mortality rates for general employees were based on the following:

- Pre-Retirement: PubG-2010 headcount-weighted Employee General Mortality Tables, projected with fully generational mortality improvement using scale MP-2019.
- Post Retirement:
 - Health Retirees: 101% of PubG-2010 headcount-weighted Retiree General Mortality Tables for males and 109% of PubG-2010 headcount-weighted Retiree General Mortality Tables for females, projected with fully generational mortality improvement using scale MP-2019.
 - Surviving Spouses: PubG-2010 Contingent Survivor General Morality Tables, projected with fully generational mortality improvement using scale MP-2019.
 - Disabled Retirees: PubG-2010 Disabled General Mortality Tables, projected with fully generational mortality improvement using scale MP-2019.

Mortality rates for police and fire employees were based on the following:

- Pre-Retirement: PubT-2010 headcount-weighted Employee Safety Mortality Tables, projected with fully generational mortality improvement using scale MP-2019.
- Post Retirement:
 - Health Retirees: 96% of PubT-2010 headcount-weighted Retiree Safety Mortality Tables for males and 99% of PubT-2010 headcount-weighted Retiree Safety Mortality Tables for females, projected with fully generational mortality improvement using scale MP-2019.
 - Surviving Spouses: PubT-2010 Contingent Survivor Safety Mortality Tables, projected with fully generational mortality improvement using scale MP-2019.
 - Disabled Retirees: PubT-2010 Disabled Safety Mortality Tables, projected with fully generational mortality improvement using scale MP-2019.

Discount Rate

The discount rate used to measure the total OPEB liability was 2.12%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

Changes in the Total OPEB Liability

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

	<u>Total OPEB Liability</u>
Balance, beginning of year	\$ 843,108
Changes for the year:	
Service cost	33,367
Interest	23,310
Differences between expected and actual experience	(216,009)
Changes in assumptions or other inputs	126,877
Benefit payments	<u>(51,478)</u>
Net changes	<u>(83,933)</u>
Balance, end of year	<u><u>\$ 759,175</u></u>

Changes of assumptions or other inputs reflect a decrease in the discount rate from 2.74% in 2019 to 2.12% in 2020, changes in the inflation rate, healthcare trend rate, decrements, and mortality tables.

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

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

<u>1%</u>	<u>Current</u>	<u>1%</u>
<u>Decrease</u>	<u>Discount</u>	<u>Increase</u>
	<u>Rate</u>	
\$ 838,728	\$ 759,175	\$ 688,569

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 the current healthcare cost trend rates of 7.00% in year 1, decreasing to 4.00%, and rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1%</u>	<u>Current</u>	<u>1%</u>
<u>Decrease</u>	<u>Healthcare</u>	<u>Increase</u>
	<u>Cost Trend</u>	
	<u>Rates</u>	
\$ 658,098	\$ 759,175	\$ 882,148

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 \$50,864. At December 31, 2020, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>(Inflows) of</u>
	<u>Resources</u>	<u>Resources</u>
Differences between expected and actual experience	\$ -	\$ (186,540)
Changes in assumptions	<u>195,376</u>	<u>(34,033)</u>
Total	<u>\$ 195,376</u>	<u>\$ (220,573)</u>

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

Fiscal Year Ended:	
2021	\$ (5,813)
2022	(5,813)
2023	(5,813)
2024	(5,813)
2025	(5,813)
Thereafter	<u>3,868</u>
Total	<u>\$ (25,197)</u>

New Hampshire Retirement System Medical Subsidy Plan

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

General Information about the OPEB Plan

Plan Description

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

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

Benefits Provided

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

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

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

Contributions

Pursuant to RSA 100-A:16, III, and the biennial actuarial valuation, funding for the Medical Subsidy payment is via the employer contributions rates set forth by NHRS. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the NHRS actuary using the entry age normal funding method and are expressed as a percentage of earnable compensation. The Town contributed 0.29% of earnable compensation for Group I employees and 3.66% for Group II employees. Employees are not required to contribute. The State Legislature has the authority to establish, amend, and disclose the contribution requirements of the Medical Subsidy plan.

Actuarial Assumptions

Actuarial assumptions for the collective total OPEB liability are the same as the Retirement System, which is disclosed in Note 14.

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 \$623,202, representing 0.14%.

For the year ended December 31, 2020, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of (\$3,308). 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>
Contributions subsequent to the measurement date	\$ 37,047	\$ -
Differences between expected and actual experience	-	(1,806)
Changes of assumptions	4,007	-
Change in proportion	-	(8,382)
Net difference between projected and actual OPEB investment earnings	<u>2,332</u>	<u>-</u>
Total	<u>\$ 43,386</u>	<u>\$ (10,188)</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, 2021.

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

Fiscal Year Ended:

2021	\$ (6,004)
2022	690
2023	823
2024	<u>642</u>
Total	<u>\$ (3,849)</u>

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

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

1%	Current	1%
<u>Decrease</u>	<u>Discount</u>	<u>Increase</u>
<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
\$ 676,733	\$ 623,202	\$ 576,727

Healthcare Cost Trend Rate

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

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

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

	Total OPEB <u>Liability</u>	Total Deferred Outflows <u>of Resources</u>	Total Deferred (Inflows) <u>of Resources</u>	Total OPEB <u>Expense</u>
Town OPEB Plan	\$ 759,175	\$ 195,376	\$ (220,573)	\$ 50,864
Proportionate share of NHRS Medical Subsidy Plan	<u>623,202</u>	<u>43,386</u>	<u>(10,188)</u>	<u>(3,308)</u>
Total	<u>\$ 1,382,377</u>	<u>\$ 238,762</u>	<u>\$ (230,761)</u>	<u>\$ 47,556</u>

16. Commitments and Contingencies

Outstanding Legal Issues

There are certain pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of such claims would not materially affect its financial statements taken as a whole.

Grants

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

Abatements

There are several cases pending before the NH Board of Tax and Land Appeals and/or the Supreme Court in regard to alleged discrepancies in property assessments. According to the Town's counsel, the probable outcome of these cannot be determined at this time.

Encumbrances

At year-end, the Town's general fund has \$45,275 in encumbrances that will be honored in the next fiscal year.

17. 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.

18. Subsequent Events

Management has evaluated subsequent events through April 19, 2021, which is the date the financial statements were available to be issued.

19. New Pronouncements

Management is currently evaluating the impact of implementing the following GASB pronouncement.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its fiscal 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 HOLLIS, NEW HAMPSHIRE

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	0.1421%	\$ 9,091,913	\$ 3,592,638	253.1%	58.72%
December 31, 2019	June 30, 2019	0.1452%	\$ 6,988,107	\$ 3,568,847	195.8%	65.59%
December 31, 2018	June 30, 2018	0.1500%	\$ 7,222,114	\$ 3,471,286	208.1%	64.73%
December 31, 2017	June 30, 2017	0.1558%	\$ 7,661,348	\$ 3,472,859	220.6%	62.66%
December 31, 2016	June 30, 2016	0.1610%	\$ 8,550,395	\$ 3,272,842	261.3%	58.30%
December 31, 2015	June 30, 2015	0.1580%	\$ 6,275,289	\$ 3,351,251	187.3%	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 HOLLIS, NEW HAMPSHIRE

Schedule of Pension Contributions
(Unaudited)

New Hampshire Retirement System					
Fiscal Year	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, 2020	\$ 665,408	\$ 665,408	\$ -	\$ 3,756,826	17.7%
December 31, 2019	\$ 632,027	\$ 632,027	\$ -	\$ 3,568,847	17.7%
December 31, 2018	\$ 703,704	\$ 703,704	\$ -	\$ 3,471,286	20.3%
December 31, 2017	\$ 682,171	\$ 682,171	\$ -	\$ 3,472,859	19.6%
December 31, 2016	\$ 610,064	\$ 610,064	\$ -	\$ 3,272,842	18.6%
December 31, 2015	\$ 620,215	\$ 620,215	\$ -	\$ 3,351,251	18.5%

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

See Independent Auditors' Report.

TOWN OF HOLLIS, NEW HAMPSHIRE

Schedule of Proportionate Share and Contributions of the Net OPEB Liability
(Unaudited)

Schedule of Proportionate Share

New Hampshire Retirement System Medical Subsidy						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
December 31, 2020	June 30, 2020	0.1424%	\$ 623,202	\$ 3,592,638	17.35%	7.74%
December 31, 2019	June 30, 2019	0.1577%	\$ 691,548	\$ 3,568,847	19.38%	7.75%
December 31, 2018	June 30, 2018	0.1637%	\$ 749,666	\$ 3,471,286	21.60%	7.53%
December 31, 2017	June 30, 2017	0.1114%	\$ 509,344	\$ 3,472,859	14.67%	7.91%

Schedule of Contributions

New Hampshire Retirement System Medical Subsidy						
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions Relative to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>	
December 31, 2020	\$ 70,216	\$ 70,216	\$ -	\$ 3,756,826	1.87%	
December 31, 2019	\$ 71,986	\$ 71,986	\$ -	\$ 3,568,847	2.02%	
December 31, 2018	\$ 72,426	\$ 72,426	\$ -	\$ 3,471,286	2.09%	
December 31, 2017	\$ 66,025	\$ 66,025	\$ -	\$ 3,472,859	1.90%	

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

See Independent Auditors' Report.

TOWN OF HOLLIS, NEW HAMPSHIRE
Other Post-Employment Benefits (OPEB)
Town Plan
Schedules of Changes in the Total OPEB Liability
(Unaudited)

For the Years Ended December 31,	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability			
Service cost	\$ 33,367	\$ 32,553	\$ 35,932
Interest	23,310	29,542	25,387
Differences between expected and actual experience	(216,009)	-	-
Changes of assumptions	126,877	108,630	(49,225)
Benefit payments, including refunds of member contributions	<u>(51,478)</u>	<u>(30,891)</u>	<u>(21,578)</u>
Net change in total OPEB liability	(83,933)	139,834	(9,484)
Total OPEB liability - beginning	<u>843,108</u>	<u>703,274</u>	<u>712,758</u>
Total OPEB liability - ending	<u>\$ 759,175</u>	<u>\$ 843,108</u>	<u>\$ 703,274</u>

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.



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen
Town of Hollis, New Hampshire

Report on the Financial Statements

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Town of Hollis, 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, and have issued our report thereon dated April 19, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Town's financial statements will not be prevented or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination

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

800.282.2440 | melansoncpas.com



of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Merrimack, New Hampshire
April 19, 2021