



## **TOWN OF HOLLIS, NEW HAMPSHIRE**

Annual Financial Statements  
For the Year Ended December 31, 2021

(With Independent Auditor's Report Thereon)

## TABLE OF CONTENTS

	<u>Page</u>
<b>Independent Auditor's Report</b>	<b>1</b>
<b>Management's Discussion and Analysis</b>	<b>4</b>
<b>Basic Financial Statements:</b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Position	12
Statement of Activities	14
<b>Fund Financial Statements:</b>	
<b>Governmental Funds:</b>	
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
<b>Fiduciary Funds:</b>	
Statement of Fiduciary Net Position	19
Statement of Changes in Fiduciary Net Position	20
<b>Notes to Financial Statements</b>	<b>21</b>

**Required Supplementary Information:**

**Budget and Actual:**

Schedule of Revenues, Expenditures and Other Financing Sources / (Uses) – Budget and Actual – General Fund	49
Notes to the Required Supplementary Information for General Fund Budget	50

**Pension:**

Schedule of Proportionate Share of the Net Pension Liability	51
Schedule of Pension Contributions	52

**OPEB:**

Schedules of Proportionate Share and Contributions of the Net OPEB Liability	53
Schedules of Changes in the Total OPEB Liability	54



## INDEPENDENT AUDITOR'S REPORT

To the Select Board  
Town of Hollis, New Hampshire

### ***Opinions***

We have audited 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, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements 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, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

The Town's management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

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### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the budgetary comparison for the General Fund, and certain pension and OPEB schedules be presented to supplement the basic financial statements. Such



information is the responsibility of management and, 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 sufficient evidence to express an opinion or provide any assurance.

### ***Other Information***

Management is responsible for the other information included in the Town's Annual Report. The other information included in the Town's Annual Report comprises departmental reports, statistics, and various other data from the audited financial statements, including our auditor's report. Our opinions on the financial statements do not cover the other information included in the Town's Annual Report, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



Merrimack, New Hampshire  
May 27, 2022

## 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, 2021.

### **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.

### ***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 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.

### ***Required Supplementary 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 fiscal year, net position was \$34,712,183, a change of \$2,346,409.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$9,322,844, a change of \$1,295,020 in comparison to the prior year.



- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,494,344, a change of \$(936,513) in comparison to the prior year.

### Government-Wide Financial Analysis

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

<b>Net Position</b>		Governmental Activities	
		<u>2021</u>	<u>2020</u>
Assets:			
Current and other assets	\$	21,287,674	\$ 23,300,329
Capital assets		<u>40,508,671</u>	<u>40,190,933</u>
Total assets		61,796,345	63,491,262
Deferred outflows of resources		<u>1,943,577</u>	<u>2,297,320</u>
Total assets and deferred outflows	\$	<u><u>63,739,922</u></u>	<u><u>65,788,582</u></u>
Liabilities:			
Long-term liabilities	\$	15,196,359	\$ 18,517,310
Other liabilities		<u>11,472,779</u>	<u>14,191,702</u>
Total liabilities		26,669,138	32,709,012
Deferred inflows of resources		2,358,601	713,796
Net position:			
Net investment in capital assets		33,811,929	33,176,095
Restricted		4,036,174	3,087,526
Unrestricted		<u>(3,135,920)</u>	<u>(3,897,847)</u>
Total net position		<u><u>34,712,183</u></u>	<u><u>32,365,774</u></u>
Total liabilities, deferred inflows, and net position	\$	<u><u>63,739,922</u></u>	<u><u>65,788,582</u></u>

The largest portion of net position, \$33,811,929, 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, \$4,036,174 represents resources that are subject to restrictions on how they may be used.

Unrestricted net position has a negative balance of (\$3,135,920), resulting primarily from the Town's unfunded net pension liability and OPEB liability of \$6,731,674 and \$1,411,635, respectively.

### Change in Net Position

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Revenues:		
Program revenues:		
Charges for services	\$ 967,726	\$ 836,178
Operating grants and contributions	76,153	14,021
Capital grants and contributions	222,857	371,988
General revenues:		
Property taxes	8,592,739	7,970,442
Licenses and permits	2,206,330	2,114,091
Penalties, interest, and other taxes	68,675	72,145
Grants and contributions not restricted to specific programs	593,625	461,581
Investment income	186,333	160,427
Miscellaneous	<u>116,526</u>	<u>232,190</u>
Total revenues	13,030,964	12,233,063
Expenses:		
General government	3,709,022	3,943,310
Public safety	3,803,067	4,193,709
Highways and streets	1,897,911	2,154,392
Sanitation	563,002	536,547
Health and welfare	53,018	56,758
Culture and recreation	476,506	469,897
Conservation	43,795	43,055
Interest and related costs	<u>138,234</u>	<u>442,788</u>
Total expenses	<u>10,684,555</u>	<u>11,840,456</u>
Change in net position	2,346,409	392,607
Net position - beginning of year	<u>32,365,774</u>	<u>31,973,167</u>
Net position - end of year	<u>\$ 34,712,183</u>	<u>\$ 32,365,774</u>

### ***Governmental Activities***

Governmental activities for the year resulted in a change in net position of \$2,346,409. Key elements of this change are as follows:

- Repayment of bonds payable and capital leases of \$1,325,365 contributes to positive change in net position when converted to accrual basis, as debt payments offset liabilities and are not reported as expenses.
- Capital asset acquisitions of \$563,709 acquired through current budgeted revenues contribute to positive change in net position as those costs are shown as assets and not functional expenses on the accrual basis.
- Depreciation expense of \$934,068 contributes to negative change in net position, and the decrease in pension expense of \$351,210 contributes to positive change in net position. These expenses are only recorded on the accrual basis.
- The Town's current practice is to set aside 100% of land use change taxes for conservation. Those taxes amounted to \$1,072,627 for 2021, contributing to the positive change in net position.

Total governmental revenues increased \$797,901 or 7% from the previous year, primarily due to property tax revenue increase resulting from valuation increase of 2% and increase in land use change taxes. Total governmental expenses decreased \$1,155,901 or 10% from the previous year, primarily due to a decrease in pension expense from GASB 68 of \$351,210, mostly due to investment returns exceeding expectations, while the previous year had an increase to pension expense from GASB 68 of \$550,493 primarily due to the discount rate change from 7.25% for 2019 to 6.75% for 2020 reporting.

### **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.

### *General Fund*

The General Fund is the chief operating fund. At the end of the current year, unassigned fund balance of the General Fund was \$3,494,344, while total fund balance was \$5,376,527. 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.

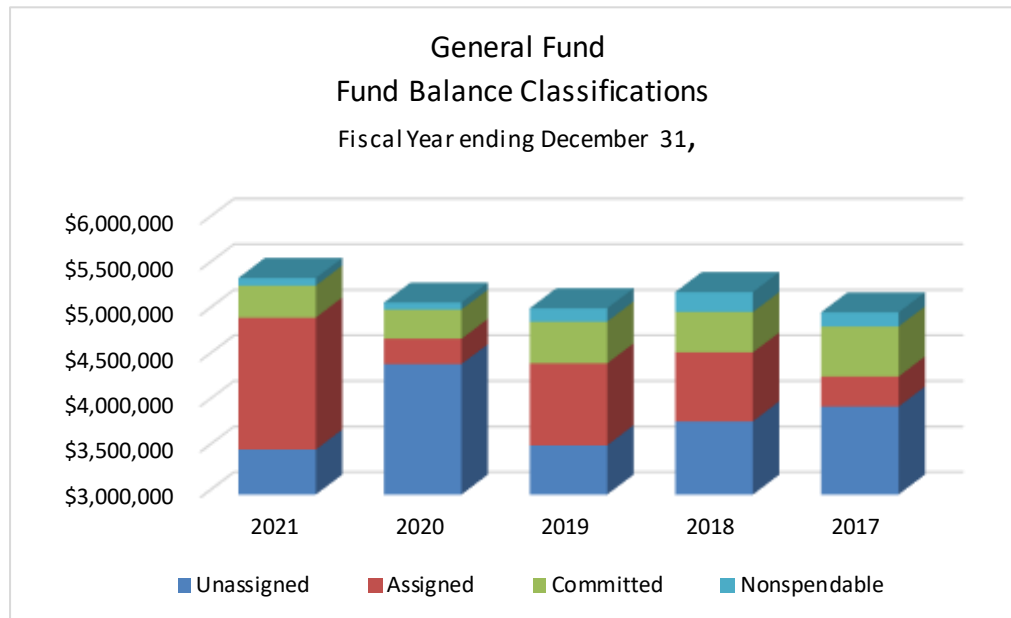
<u>For the Year Ended</u>	<u>General Fund Unassigned Fund Balance</u>	<u>Town, School and County Appropriations</u>	<u>% of General Fund Appropriations</u>
December 31, 2021	\$ 3,494,344	\$ 35,527,093	10%
December 31, 2020	4,430,857	35,613,488	12%

The fund balance of the General Fund increased by \$269,967 during the current year. This slight increase is mainly due to unspent appropriations.

Included in the total General Fund balance are the Town's capital reserve funds with the following fund balances:

	<u>December 31, 2021</u>	<u>December 31, 2020</u>	<u>Change</u>
<u>Committed Fund Balance</u>			
Compensated absences	\$ 115,869	\$ 129,470	\$ (13,601)
Emergency municipal building and facility maintenance	92,547	59,481	33,066
Environmental defense study	53,168	53,157	11
Flint Pond restoration	292	292	-
Municipal transportation	59,705	50,199	9,506
Revaluation	30,790	28,032	2,758
Total	<u>\$ 352,371</u>	<u>\$ 320,631</u>	<u>\$ 31,740</u>

The chart below depicts the General Fund balance classifications over the last five years:



#### *Nonmajor Governmental Funds*

The fund balance of nonmajor governmental funds changed by \$1,025,053 primarily due to an increase in land use change tax revenue. Those taxes amounted to \$1,072,627 for 2021, while land acquisition costs amounted to \$152,500, contributing to the positive change in the nonmajor governmental fund balance. The conservation fund has \$1,907,713 to be spent in future periods.

#### **General Fund Budgetary Highlights**

Differences between the General Fund original budget and the final amended budget resulted in an overall increase in appropriations of \$29,411. 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 \$618,403 with revenues and other sources over the estimated budget by \$29,784 and expenditures and other uses less than the estimated budget by \$588,619. Significant variances include:

- Positive variance in Licenses and Permits of \$300,786 is mainly attributed to the increase in motor vehicle registrations.
- Positive variance in General Government of \$287,771 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 \$40,508,671, an increase of \$317,738 from the prior year. These capital assets include land, buildings and improvements, machinery and furnishings, and infrastructure.

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

- The capitalization of a fire truck purchased in 2019 for \$688,097.
- The purchase of police cruisers and radio consoles for \$326,260.
- The purchase of land for \$150,000.
- The sale of a portion of land on Nartoff Road for \$239,000.

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

### ***Long-Term Debt***

At the end of the current year, total bonded debt outstanding was \$5,566,300, all of which was backed by the full faith and credit of the government.

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.

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, 2021

<b>Assets and Deferred Outflows of Resources</b>	<b>Governmental Activities</b>
Assets	
Current:	
Cash and short-term investments	\$ 18,779,032
Investments	1,369,977
Receivables:	
Property taxes	949,855
Intergovernmental	44,616
Departmental and other	61,616
Other assets	<u>82,578</u>
Total current assets	21,287,674
Noncurrent:	
Capital assets:	
Land	28,033,096
Other capital assets, net of accumulated depreciation	<u>12,475,575</u>
Total noncurrent assets	<u>40,508,671</u>
Total Assets	61,796,345
Deferred Outflows of Resources	
Related to pensions	1,731,209
Related to OPEB	<u>212,368</u>
Total Deferred Outflows of Resources	<u>1,943,577</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ <u>63,739,922</u></b>

(Continued)

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

**TOWN OF HOLLIS, NEW HAMPSHIRE**

Statement of Net Position

December 31, 2021

(Continued)

<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>Governmental Activities</b>
Liabilities	
Current:	
Accounts payable	\$ 201,316
Accrued expenses	246,483
Due to custodial funds	9,766,858
Unearned revenue	478,246
Tax abatement liability	81,876
Held for performance guarantees	698,000
Current portion of noncurrent liabilities:	
Bonds payable	973,700
Compensated absences	35,631
Capital leases	<u>309,255</u>
Total current liabilities	12,791,365
Noncurrent:	
Bonds payable, net of current portion	4,592,600
Compensated absences, net of current portion	320,675
Capital leases, net of current portion	821,189
Net pension liability	6,731,674
Total OPEB liability	<u>1,411,635</u>
Total noncurrent liabilities	<u>13,877,773</u>
Total Liabilities	26,669,138
Deferred Inflows of Resources	
Related to pensions	2,164,715
Related to OPEB	<u>193,886</u>
Total Deferred Inflows of Resources	2,358,601
Net Position	
Net investment in capital assets	33,811,929
Restricted for:	
Conservation	1,935,956
Public safety	451,076
Culture and recreation	303,483
Other purposes	102,855
Permanent funds:	
Nonexpendable	818,974
Expendable	423,830
Unrestricted (deficit)	<u>(3,135,920)</u>
Total Net Position	<u>34,712,183</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ <u>63,739,922</u></b>

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, 2021

		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>
<b>Governmental Activities</b>					
General government	\$ 3,709,022	\$ 159,916	\$ -	\$ -	\$ (3,549,106)
Public safety	3,803,067	685,780	-	-	(3,117,287)
Highways and streets	1,897,911	18,100	-	222,857	(1,656,954)
Sanitation	563,002	68,036	-	-	(494,966)
Health and welfare	53,018	1,225	-	-	(51,793)
Culture and recreation	476,506	34,669	76,153	-	(365,684)
Conservation	43,795	-	-	-	(43,795)
Interest and related costs	138,234	-	-	-	(138,234)
Total	<u>\$ 10,684,555</u>	<u>\$ 967,726</u>	<u>\$ 76,153</u>	<u>\$ 222,857</u>	<u>(9,417,819)</u>
<b>General Revenues</b>					
					8,592,739
Property taxes					2,206,330
Motor vehicle registrations					68,675
Penalties, interest, and other taxes					593,625
Grants and contributions not restricted to specific programs					186,333
Investment income					116,526
Miscellaneous					<u>11,764,228</u>
Total general revenues					2,346,409
Change in Net Position					
<b>Net Position</b>					
Beginning of year					<u>32,365,774</u>
End of year					<u>\$ 34,712,183</u>

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

**TOWN OF HOLLIS, NEW HAMPSHIRE**

Governmental Funds  
Balance Sheet  
December 31, 2021

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Assets</b>			
Cash and short-term investments	\$ 16,146,063	\$ 2,632,969	\$ 18,779,032
Investments	-	1,369,977	1,369,977
Receivables:			
Property taxes	869,787	80,068	949,855
Intergovernmental	44,616	-	44,616
Departmental and other	-	61,616	61,616
Due from other funds	132,401	477,644	610,045
Other assets	<u>82,578</u>	<u>-</u>	<u>82,578</u>
<b>Total Assets</b>	<b>\$ <u>17,275,445</u></b>	<b>\$ <u>4,622,274</u></b>	<b>\$ <u>21,897,719</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 197,166	\$ 4,150	\$ 201,316
Accrued expenses	246,483	-	246,483
Due to custodial funds	9,766,858	-	9,766,858
Due to other funds	447,170	162,875	610,045
Unearned revenue	59,173	419,073	478,246
Tax abatement liability	81,876	-	81,876
Held for performance guarantees	<u>698,000</u>	<u>-</u>	<u>698,000</u>
<b>Total Liabilities</b>	<b>11,496,726</b>	<b>586,098</b>	<b>12,082,824</b>
<b>Deferred Inflows of Resources</b>			
Unavailable revenues	402,192	89,859	492,051
<b>Fund Balances</b>			
Nonspendable	82,578	818,974	901,552
Restricted	-	3,127,343	3,127,343
Committed	352,371	-	352,371
Assigned	1,447,234	-	1,447,234
Unassigned	<u>3,494,344</u>	<u>-</u>	<u>3,494,344</u>
<b>Total Fund Balances</b>	<b><u>5,376,527</u></b>	<b><u>3,946,317</u></b>	<b><u>9,322,844</u></b>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ <u>17,275,445</u></b>	<b>\$ <u>4,622,274</u></b>	<b>\$ <u>21,897,719</u></b>

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, 2021

<b>Total governmental fund balances</b>	\$ 9,322,844
<ul style="list-style-type: none"><li>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.</li></ul>	40,508,671
<ul style="list-style-type: none"><li>Property taxes and other revenues are recognized on the accrual basis of accounting in the Statement of Net Position, not the modified accrual basis.</li></ul>	492,051
<ul style="list-style-type: none"><li>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:</li></ul>	
Pension related deferred outflows	1,731,209
OPEB related deferred outflows	212,368
Pension related deferred inflows	(2,164,715)
OPEB related deferred inflows	(193,886)
<ul style="list-style-type: none"><li>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:</li></ul>	
Bonds payable	(5,566,300)
Compensated absences	(356,306)
Capital leases	(1,130,444)
Net pension liability	(6,731,674)
Total OPEB liability	<u>(1,411,635)</u>
<b>Net position of governmental activities</b>	\$ <u><u>34,712,183</u></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, 2021

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Revenues</b>			
Property taxes	\$ 7,430,611	\$ 1,082,729	\$ 8,513,340
Penalties, interest, and other taxes	68,675	-	68,675
Licenses and permits	2,461,511	-	2,461,511
Charges for services	412,779	279,821	692,600
Intergovernmental	837,083	55,551	892,634
Investment income	13,918	172,415	186,333
Miscellaneous	<u>373,941</u>	<u>12,536</u>	<u>386,477</u>
Total Revenues	11,598,518	1,603,052	13,201,570
<b>Expenditures</b>			
Current:			
General government	3,866,163	9,977	3,876,140
Public safety	4,088,273	231,105	4,319,378
Highways and streets	1,668,483	-	1,668,483
Sanitation	563,002	-	563,002
Health and welfare	52,984	34	53,018
Culture and recreation	45,675	389,299	434,974
Conservation	-	193,795	193,795
Debt service:			
Principal	978,700	-	978,700
Interest and related costs	<u>138,234</u>	<u>-</u>	<u>138,234</u>
Total Expenditures	<u>11,401,514</u>	<u>824,210</u>	<u>12,225,724</u>
Excess (deficiency) of revenues over expenditures	197,004	778,842	975,846
<b>Other Financing Sources (Uses)</b>			
Issuance of lease	319,174	-	319,174
Transfers in	70,289	320,568	390,857
Transfers out	<u>(316,500)</u>	<u>(74,357)</u>	<u>(390,857)</u>
Total Other Financing Sources (Uses)	<u>72,963</u>	<u>246,211</u>	<u>319,174</u>
Change in fund balance	269,967	1,025,053	1,295,020
Fund Balance, at Beginning of Year	<u>5,106,560</u>	<u>2,921,264</u>	<u>8,027,824</u>
Fund Balance, at End of Year	\$ <u><u>5,376,527</u></u>	\$ <u><u>3,946,317</u></u>	\$ <u><u>9,322,844</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, 2021

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ 1,295,020</b>
<ul style="list-style-type: none"><li>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:<ul style="list-style-type: none"><li>Capital asset additions, net of disposals 563,709</li><li>Depreciation (934,068)</li></ul></li><li>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. 99,345</li><li>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:<ul style="list-style-type: none"><li>Repayment of bonds 978,700</li><li>Issuance of capital leases (319,174)</li><li>Repayment of capital leases 346,665</li></ul></li><li>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.<ul style="list-style-type: none"><li>Increase in compensated absences (16,221)</li><li>Decrease in pension expense from GASB 68 351,210</li><li>Increase in OPEB expense from GASB 75 (18,777)</li></ul></li></ul>	
<b>Change in net position of governmental activities</b>	<b>\$ <u><u>2,346,409</u></u></b>

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, 2021

	Custodial Funds
<b>Assets</b>	
Cash and short-term investments	\$ 795,937
Investments	559,164
Due from Town	<u>9,766,858</u>
<b>Total Assets</b>	<u>\$ 11,121,959</u>
<b>Liabilities and Net Position</b>	
Liabilities	
Due to school districts	\$ 9,766,858
Net Position	
Restricted for other governments	<u>1,355,101</u>
<b>Total Liabilities and Net Position</b>	<u>\$ 11,121,959</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, 2021

	Custodial Funds
<b>Additions</b>	
Contributions from school districts	\$ 724,214
Investment earnings	50,932
Taxes collected for school districts	22,566,859
Taxes collected for the County	1,558,720
Fees collected for State of New Hampshire	<u>646,951</u>
Total Additions	25,547,676
<b>Deductions</b>	
Payments of taxes to school districts	22,566,859
Payment of taxes to the County	1,558,720
Payments of fees to State of New Hampshire	646,951
Payments on behalf of school districts	<u>793,754</u>
Total Deductions	<u>25,566,284</u>
Net Decrease	(18,608)
<b>Net Position Restricted for Other Governments</b>	
Beginning of year	<u>1,373,709</u>
End of year	\$ <u><u>1,355,101</u></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 significant policies:

##### ***Reporting Entity***

The Town is a municipal corporation governed by an elected Select Board. As required by Generally Accepted Accounting Principles, these financial statements present the Town and applicable component units for which the Town is considered to be financially accountable. In 2021, it was determined that no entities met the required GASB 14 (as amended) criteria for 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 are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

###### ***Fund Financial Statements***

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. 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 in 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 the 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 Select Board 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 New Hampshire. 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 New Hampshire 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 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 use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

#### ***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 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 Select Board with the cooperation of the various department heads. It is then submitted to the Budget Committee, in accordance with Municipal Budget Law. After reviewing the budget, the Budget Committee holds a public hearing for discussion. The final version of the budget is then submitted for approval at the Annual Town Meeting. The approved budget is subsequently reported to the State of New Hampshire on the statement of appropriation form in order to establish the current property tax rate.

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

### 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, 2021, the Town's deposits and short-term investments bank balance of \$18,462,813 was either collateralized or held by a third party in the Town's name. The Town's investments of \$1,929,141 were held by a third party in the Town's name. The Town also held \$1,279,855 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, 2021:

<u>Investment Type</u>	<u>Amount</u>
Corporate equities	\$ 1,312,989
Fixed income mutual funds	<u>616,152</u>
Total investments	<u>\$ 1,929,141</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 the U.S. government and State of New Hampshire agencies approved for investment purposes by the Select Board.

- 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, 2021, with their corresponding rating:

<u>Investment Type</u>	<u>Amount</u>	<u>Standards &amp; Poor's 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	\$ 616,152	\$ 205,756	\$ 116,965	\$ 266,946	\$ 17,653	\$ 8,832

### ***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, 2021 was 4.92.

***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, 2021, 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, 2021:

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	\$ 616,152	\$ -	\$ 616,152	\$ -
Equity securities:				
Consumer cyclical	130,729	130,729	-	-
Consumer staples	74,529	74,529	-	-
Energy	149,844	149,844	-	-
Financials	68,851	68,851	-	-
Healthcare	159,797	159,797	-	-
Information technology	46,349	46,349	-	-
Other	85,592	85,592	-	-
Equity mutual funds	597,298	597,298	-	-
Total	\$ 1,929,141	\$ 1,312,989	\$ 616,152	\$ -

#### 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 lien 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, 2021 consist of the following:

Property taxes:	
2021 levy	\$ 747,856
Unredeemed taxes:	
2020 levy	63,624
2019 levy	19,949
2018 levy	5,179
2017 levy	4,823
2011 - 2016 levies	28,356
Land use tax	<u>80,068</u>
Total Property Taxes Receivable	\$ <u>949,855</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, 2021 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 132,401	\$ 447,170
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Ambulance	-	693
ARPA	419,073	-
Cemetery	-	62,400
Conservation	-	36,850
Heritage	750	-
Highway block grant	57,310	-
Library	-	59,712
Police private details	-	3,220
Zylonis	511	-
Total Nonmajor Governmental Funds:	<u>477,644</u>	<u>162,875</u>
Total	\$ <u>610,045</u>	\$ <u>610,045</u>

The Town reports interfund transfers among many of its funds. The sum of all transfers presented in the table below agrees with the sum of interfund transfers presented in the governmental financial statements. The following is an analysis of the interfund transfers made in 2021:

<u>Governmental Funds</u>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 70,289	\$ 316,500
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Ambulance	589	-
Library	318,203	-
Zylonis	1,776	-
Permanent Trust Funds:		
Ambulance	-	589
Cemetery	-	68,300
Charles J. Nichols	-	1,773
Charles Zylonis - Library	-	1,776
Library	-	1,703
Nichols Field Horse Ring	-	68
Public Welfare	-	148
Total Nonmajor Governmental Funds:	<u>320,568</u>	<u>74,357</u>
Total	\$ <u><u>390,857</u></u>	\$ <u><u>390,857</u></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 \$316,500 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, 2021 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 10,753,901	\$ 142,660	\$ -	\$ 10,896,561
Machinery, equipment, and furnishings	8,161,625	1,194,710	(68,510)	9,287,825
Infrastructure	<u>13,950,593</u>	<u>-</u>	<u>-</u>	<u>13,950,593</u>
Total capital assets, being depreciated	32,866,119	1,337,370	(68,510)	34,134,979
Less accumulated depreciation for:				
Buildings and improvements	(6,318,866)	(239,886)	-	(6,558,752)
Machinery, equipment, and furnishings	(5,715,215)	(418,572)	68,510	(6,065,277)
Infrastructure	<u>(8,759,765)</u>	<u>(275,610)</u>	<u>-</u>	<u>(9,035,375)</u>
Total accumulated depreciation	<u>(20,793,846)</u>	<u>(934,068)</u>	<u>68,510</u>	<u>(21,659,404)</u>
Total capital assets, being depreciated, net	12,072,273	403,302	-	12,475,575
Capital assets, not being depreciated:				
Land	<u>28,118,660</u>	<u>153,436</u>	<u>(239,000)</u>	<u>28,033,096</u>
Total capital assets, not being depreciated	<u>28,118,660</u>	<u>153,436</u>	<u>(239,000)</u>	<u>28,033,096</u>
Governmental activities capital assets, net	\$ <u><u>40,190,933</u></u>	\$ <u><u>556,738</u></u>	\$ <u><u>(239,000)</u></u>	\$ <u><u>40,508,671</u></u>

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

Governmental Activities:	
General government	\$ 64,098
Public safety	437,580
Highways and streets	380,885
Culture and recreation	<u>51,505</u>
Total	\$ <u><u>934,068</u></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 2021 expenditures paid after December 31, 2021.

**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 Lease Obligations**

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, 2021:

	Governmental <u>Activities</u>
2022	\$ 337,790
2023	337,791
2024	270,984
2025	196,867
2026	<u>52,680</u>
Total minimum lease payments	1,196,112
Less: amounts representing interest	<u>(65,668)</u>
Present value of minimum lease payments	\$ <u><u>1,130,444</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 Select Board. 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 12/31/21
<u>Governmental Activities:</u>			
GO Refunding Bond 2014 Series B-1	08/15/25	2.41%	\$ 1,361,000
GO Bond - Land Acquisition	02/01/27	2.14%	2,795,000
GO Refunding Bonds	11/30/30	2.00%	<u>1,410,300</u>
Total Governmental Activities - Direct Placement			<u>\$ 5,566,300</u>

### ***Future Debt Service***

The annual payments to repay bonds payable outstanding as of December 31, 2021 are as follows:

Governmental Activities	Principal	Interest	Total
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	621,700	30,597	652,297
2027 - 2030	<u>1,091,800</u>	<u>36,316</u>	<u>1,128,116</u>
Total	<u>\$ 5,566,300</u>	<u>\$ 402,814</u>	<u>\$ 5,969,114</u>

### ***Changes in General Long-Term Liabilities***

During the year ended December 31, 2021, the following changes occurred in long-term liabilities:

	Total Balance 1/1/21	Additions	Reductions	Total Balance 12/31/21	Less Current Portion	Equals Long-Term Portion 12/31/21
<b>Governmental Activities</b>						
Bonds payable - direct placement	\$ 6,545,000	\$ -	\$ (978,700)	\$ 5,566,300	\$ (973,700)	\$ 4,592,600
Compensated absences	340,085	16,221	-	356,306	(35,631)	320,675
Capital leases	1,157,935	319,174	(346,665)	1,130,444	(309,255)	821,189
Net pension liability	9,091,913	-	(2,360,239)	6,731,674	-	6,731,674
Total OPEB liability	<u>1,382,377</u>	<u>29,258</u>	<u>-</u>	<u>1,411,635</u>	<u>-</u>	<u>1,411,635</u>
Totals	<u>\$ 18,517,310</u>	<u>\$ 364,653</u>	<u>\$ (3,685,604)</u>	<u>\$ 15,196,359</u>	<u>\$ (1,318,586)</u>	<u>\$ 13,877,773</u>

## **12. Deferred Inflows of Resources**

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

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

### **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, 2021:

#### ***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, the 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 categorized as restricted that can change purpose via vote at Town Meeting. The Town Meeting, as the Town'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 Select Board for specific purposes. The Select 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, 2021:

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Nonspendable:			
Prepaid expenses	\$ 82,578	\$ -	\$ 82,578
Nonexpendable permanent funds:			
Charles Nichols	-	262,373	262,373
Charles Zylonis	-	93,357	93,357
Common Cemetery	-	252,665	252,665
All remaining	-	210,579	210,579
Total Nonspendable	82,578	818,974	901,552
Restricted:			
Expendable permanent funds:			
Charles Nichols	-	44,874	44,874
Charles Zylonis	-	8,149	8,149
Common Cemetery	-	52,798	52,798
All remaining	-	318,009	318,009
Special revenue funds:			
Ambulance	-	381,700	381,700
Conservation	-	1,907,713	1,907,713
Library	-	98,903	98,903
Pearl Rideout - Library	-	72,698	72,698
All remaining	-	242,499	242,499
Total Restricted	-	3,127,343	3,127,343
Committed:			
Compensated absences	115,869	-	115,869
Emergency municipal building and facility maintenance	92,547	-	92,547
Environmental defense study	53,168	-	53,168
Flint Pond restoration	292	-	292
Municipal transportation	59,705	-	59,705
Revaluation	30,790	-	30,790
Total Committed	352,371	-	352,371
Assigned:			
Encumbered for:			
Police	34,000	-	34,000
Communications	26,647	-	26,647
Scanning	15,000	-	15,000
Emergency management	3,077	-	3,077
Public works	4,510	-	4,510
Use of fund balance for 2022	1,364,000	-	1,364,000
Total Assigned	1,447,234	-	1,447,234
Unassigned	3,494,344	-	3,494,344
Total Unassigned	3,494,344	-	3,494,344
Total Fund Balance	\$ 5,376,527	\$ 3,946,317	\$ 9,322,844

## 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:

<u>Years of Creditable Service as of January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum Service</u>	<u>Benefit 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, 2021 was \$784,140 (exclusive of \$67,407 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, 2021, the Town reported a liability of \$6,731,674 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. 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, 2021, the Town's proportion was 0.15%.

For the year ended December 31, 2021, the Town recognized pension expense of \$428,939. 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	\$ 188,497	\$ (70,476)
Changes in proportion	407,452	(211,544)
Net difference between projected and actual earnings on pension plan investments	-	(1,882,695)
Changes in assumption	703,085	-
Contributions subsequent to the measurement date	<u>432,175</u>	<u>-</u>
Total	<u>\$ 1,731,209</u>	<u>\$ (2,164,715)</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 2022. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended December 31,</u>	
2022	\$ (173,146)
2023	(86,770)
2024	(84,649)
2025	<u>(521,116)</u>
Total	\$ <u>(865,681)</u>

#### *Actuarial Assumptions and Other Inputs*

The collective total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.00%
Wage inflation	2.75%
Salary increases	5.60% average, including inflation
Investment rate of return	6.75%

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.

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the 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 %	6.46%
Small/mid cap equities	<u>7.50</u>	1.14%
Total domestic equities	30.00	
Int'l equities (unhedged)	14.00	3.96%
Emerging int'l equities	<u>6.00</u>	6.20%
Total international equities	20.00	
Core US Fixed Income	<u>25.00</u>	3.60%
Total fixed income	25.00	
Private equity	10.00	8.85%
Private debt	<u>5.00</u>	7.25%
Total alternative investments	15.00	
Real estate	<u>10.00</u>	6.60%
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 was 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>
\$ 9,627,065	\$6,731,674	\$4,316,446

*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 GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This 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, 2021.

***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	3
Active plan members	<u>56</u>
Total	<u><u>59</u></u>

### *Funding Policy*

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

### *Actuarial Assumptions and Other Inputs*

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

Inflation	2.20%
Discount Rate	2.06%
Ultimate Medical Trend Rate	4.00%

The discount rate was based on the Bond Buyer 20-Bond GO Index published on December 31, 2021.

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 Mortality 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 2.06%. 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:

	Total OPEB <u>Liability</u>
Balance, beginning of year	\$ 759,175
Changes for the year:	
Service cost	63,573
Interest	16,823
Changes of assumptions or other inputs	12,695
Benefit payments	<u>(58,402)</u>
Net changes	<u>34,689</u>
Balance, end of year	<u><u>\$ 793,864</u></u>

Changes of assumptions or other inputs reflect a decrease in the discount rate from 2.12% in 2020 to 2.06% in 2021, 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 was 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>	
\$ 890,318	\$ 793,864	\$ 721,801

*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 was 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:

1%	Current	1%
<u>Decrease</u>	<u>Healthcare</u>	<u>Increase</u>
	<u>Cost Trend</u>	
	<u>Rates</u>	
\$ 682,991	\$ 793,864	\$ 945,443

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

For the year ended December 31, 2021, the Town recognized an OPEB expense of \$76,315. At December 31, 2021, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred	Deferred
	<u>Outflows of</u>	<u>(Inflows) of</u>
	<u>Resources</u>	<u>Resources</u>
Differences between expected and actual experience	\$ -	\$ (157,071)
Changes in assumptions	<u>177,619</u>	<u>(28,969)</u>
Total	\$ <u>177,619</u>	\$ <u>(186,040)</u>

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

<u>Year ended December 31,</u>	
2022	\$ (4,081)
2023	(4,081)
2024	(4,081)
2025	(4,081)
2026	(4,081)
Thereafter	<u>11,984</u>
Total	<u>\$ (8,421)</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, 2020, using a measurement date of June 30, 2021.

#### ***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 and Other Inputs*

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 \$617,771, representing 0.15%.

For the year ended December 31, 2021, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$72,264. At December 31, 2021, 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	\$ 34,314	\$ -
Differences between expected and actual experience	-	(129)
Change in proportion	435	-
Net difference between projected and actual OPEB investment earnings	<u>-</u>	<u>(7,717)</u>
Total	<u>\$ 34,749</u>	<u>\$ (7,846)</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, 2022.

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

<u>Year ended December 31,</u>	
2022	\$ (1,459)
2023	(1,621)
2024	(1,817)
2025	<u>(2,514)</u>
Total	\$ <u>(7,411)</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 was calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
\$ 671,566	\$ 617,771	\$ 570,966

*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, 2021. Details related to these items are presented separately for each plan on the previous pages.

	<u>Total OPEB Liability</u>	<u>Total Deferred Outflows of Resources</u>	<u>Total Deferred (Inflows) of Resources</u>	<u>Total OPEB Expense</u>
Town OPEB Plan	\$ 793,864	\$ 177,619	\$ (186,040)	\$ 76,315
Proportionate share of NHRS Medical Subsidy Plan	<u>617,771</u>	<u>34,749</u>	<u>(7,846)</u>	<u>72,264</u>
Total	\$ <u>1,411,635</u>	\$ <u>212,368</u>	\$ <u>(193,886)</u>	\$ <u>148,579</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 had \$83,234 in encumbrances that will be honored in the next fiscal year.

## **17. Subsequent Events**

Management has evaluated subsequent events through May 27, 2022, which is the date the financial statements were available to be issued.

## **18. 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**

Required Supplementary Information  
General Fund

Schedule of Revenues, Expenditures and Other Financing Sources / (Uses) - Budget and Actual  
For the Year Ended December 31, 2021

	Budgeted Amounts			Actual	Variance with
	Original	From Prior	Final	Amounts	Final Budget
	<u>Budget</u>	<u>Years' Budgets</u>	<u>Budget</u>	(Budgetary Basis)	Positive (Negative)
<b>Revenues and Other Sources</b>					
Property taxes	\$ 7,624,662	\$ -	\$ 7,624,662	\$ 7,430,611	\$ (194,051)
Penalties, interest, and other taxes	67,600	-	67,600	68,675	1,075
Licenses and permits	2,160,725	-	2,160,725	2,461,511	300,786
Charges for services	425,254	-	425,254	412,779	(12,475)
Intergovernmental	864,100	-	864,100	837,083	(27,017)
Investment income	15,000	-	15,000	13,838	(1,162)
Miscellaneous	421,601	-	421,601	373,940	(47,661)
Transfers in	60,000	-	60,000	70,289	10,289
Use of fund balance	<u>434,000</u>	<u>29,411</u>	<u>463,411</u>	<u>463,411</u>	<u>-</u>
Total Revenues and Other Sources	12,072,942	29,411	12,102,353	12,132,137	29,784
<b>Expenditures and Other Uses</b>					
Current:					
General government	4,011,687	13,411	4,025,098	3,737,327	287,771
Public safety	3,963,705	16,000	3,979,705	3,832,823	146,882
Highways and streets	1,783,405	-	1,783,405	1,672,993	110,412
Sanitation	558,804	-	558,804	563,002	(4,198)
Health and welfare	60,900	-	60,900	52,984	7,916
Culture and recreation	47,200	-	47,200	45,675	1,525
Conservation	1	-	1	-	1
Debt service:					
Principal	978,700	-	978,700	978,700	-
Interest and related costs	138,040	-	138,040	138,234	(194)
Transfers out	<u>530,500</u>	<u>-</u>	<u>530,500</u>	<u>491,996</u>	<u>38,504</u>
Total Expenditures and Other Uses	<u>12,072,942</u>	<u>29,411</u>	<u>12,102,353</u>	<u>11,513,734</u>	<u>588,619</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>618,403</u>	\$ <u>618,403</u>

See Independent Auditor's Report.

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

***Budgetary Basis***

The General Fund final appropriation appearing on the previous page represents the final amended budget after all 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, expenditures and other financing sources (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)	\$ 11,598,518	\$ 11,401,514
Other financing sources/uses (GAAP basis)	<u>389,463</u>	<u>316,500</u>
Subtotal (GAAP Basis)	11,987,981	11,718,014
Add 2021 appropriation carryforwards to expenditures	-	83,234
Reverse capital reserve fund activity	(81)	31,660
To reverse capital lease gross-up	(319,174)	(319,174)
To record use of assigned fund balance	29,411	-
To record use of unassigned fund balance	<u>434,000</u>	<u>-</u>
Budgetary Basis	<u>\$ 12,132,137</u>	<u>\$ 11,513,734</u>

**TOWN OF HOLLIS, NEW HAMPSHIRE**

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability  
(Unaudited)

New Hampshire Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
December 31, 2021	June 30, 2021	0.1519%	\$ 6,731,674	\$ 3,922,913	171.6%	72.22%
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 notes to the Town's financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditor's Report.

**TOWN OF HOLLIS, NEW HAMPSHIRE**

Required Supplementary Information

Schedule of Pension Contributions  
(Unaudited)

New Hampshire Retirement System					
Fiscal Year	Contractually Required Contribution	Contractually Required Contribution	Contributions in Relation to the Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2021	\$ 784,140	\$ 784,140	\$ -	\$ 3,922,114	20.0%
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%

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

See Independent Auditor's Report.

**TOWN OF HOLLIS, NEW HAMPSHIRE**

Required Supplementary Information

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, 2021	June 30, 2021	0.1543%	\$ 617,771	\$ 3,922,913	15.75%	11.06%
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, 2021	\$ 67,407	\$ 67,407	\$ -	\$ 3,922,114	1.72%	
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%	

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

See Independent Auditor's Report.



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

For the Years Ended December 31,	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>				
Service cost	\$ 63,573	\$ 33,367	\$ 32,553	\$ 35,932
Interest	16,823	23,310	29,542	25,387
Differences between expected and actual experience	-	(216,009)	-	-
Changes of assumptions	12,695	126,877	108,630	(49,225)
Benefit payments, including refunds of member contributions	<u>(58,402)</u>	<u>(51,478)</u>	<u>(30,891)</u>	<u>(21,578)</u>
Net change in total OPEB liability	34,689	(83,933)	139,834	(9,484)
Total OPEB liability - beginning	<u>759,175</u>	<u>843,108</u>	<u>703,274</u>	<u>712,758</u>
Total OPEB liability - ending	<u>\$ 793,864</u>	<u>\$ 759,175</u>	<u>\$ 843,108</u>	<u>\$ 703,274</u>

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