



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

Annual Financial Statements  
For the Year Ended December 31, 2022

(With Independent Auditor's Report Thereon)

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## INDEPENDENT AUDITOR'S REPORT

To the Select Board  
Town of Hollis, New Hampshire

### Opinions

We have audited the financial statements of the governmental activities, each 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, 2022, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town, as of December 31, 2022, 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.

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

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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 twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **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.



Merrimack, New Hampshire  
June 21, 2023

## 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, 2022.

### **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. The Town's 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 the Town'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. Reconciliations are provided 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 Town. 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 \$35,122,121, a change of \$409,938.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$9,120,163, a change of \$(202,681) in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,486,454, a change of \$(7,890) 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 year.

	Net Position	
	Governmental Activities	
	<u>2022</u>	<u>2021</u>
Assets:		
Current and other assets	\$ 23,990,857	\$ 21,287,674
Capital assets	<u>43,959,299</u>	<u>40,508,671</u>
Total assets	67,950,156	61,796,345
Deferred outflows of resources	<u>1,975,401</u>	<u>1,943,577</u>
Total assets and deferred outflows	<u>\$ 69,925,557</u>	<u>\$ 63,739,922</u>
Liabilities:		
Long-term liabilities	\$ 19,859,654	\$ 15,196,359
Other liabilities	<u>14,359,855</u>	<u>11,472,779</u>
Total liabilities	34,219,509	26,669,138
Deferred inflows of resources	583,927	2,358,601
Net position:		
Net investment in capital assets	33,023,914	33,811,929
Restricted	2,794,024	4,036,174
Unrestricted	<u>(695,817)</u>	<u>(3,135,920)</u>
Total net position	<u>35,122,121</u>	<u>34,712,183</u>
Total liabilities, deferred inflows, and net position	<u>\$ 69,925,557</u>	<u>\$ 63,739,922</u>

The largest portion of net position, \$33,023,914, 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, \$2,794,024 represents resources that are subject to restrictions on how they may be used.

Unrestricted net position has a negative balance of \$(695,817), resulting primarily from the Town's unfunded net pension liability and OPEB liability of \$8,809,408 and \$1,268,446, respectively.

### Change in Net Position

	Governmental Activities	
	<u>2022</u>	<u>2021</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,066,462	\$ 967,726
Operating grants and contributions	103,132	76,153
Capital grants and contributions	227,076	222,857
General revenues:		
Property taxes	7,872,538	8,592,739
Licenses and permits	2,261,194	2,206,330
Penalties, interest, and other taxes	67,083	68,675
Grants and contributions not restricted to specific programs	784,769	593,625
Investment income	60,626	186,333
Miscellaneous	<u>212,638</u>	<u>116,526</u>
Total revenues	12,655,518	13,030,964
Expenses:		
General government	4,359,740	3,709,022
Public safety	4,408,634	3,803,067
Highways and streets	2,088,121	1,897,911
Sanitation	599,749	563,002
Health and welfare	61,148	53,018
Culture and recreation	549,662	476,506
Conservation	62,257	43,795
Interest and related costs	<u>116,269</u>	<u>138,234</u>
Total expenses	<u>12,245,580</u>	<u>10,684,555</u>
Change in net position	409,938	2,346,409
Net position - beginning of year	<u>34,712,183</u>	<u>32,365,774</u>
Net position - end of year	<u>\$ 35,122,121</u>	<u>\$ 34,712,183</u>

### **Governmental Activities**

Governmental activities for the year resulted in a change in net position of \$409,938. This is primarily due to the Town's current practice is to set aside 100% of land use change tax for

conservation. The land use tax amounted to \$616,053 for 2022. The land acquisition funded by the land use tax is capitalized on the Statement of Net Position and therefore, has no results on the change in net position. This results in the land use tax contributing to the positive change in net position.

Total governmental revenues decreased by \$375,446 or 3% from the previous year, while governmental expenses increased by \$1,561,025 or 15% from the previous year. The biggest increase was in public safety expenses, primarily due to a reduction in pension expense in the previous year based on the NHRS measurement date of June 30, 2021, which resulted in investments exceeding expectations. Investments did not exceed expectations for the June 30, 2022 measurement date reported by the Town for its December 31, 2022 year end.

### **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 the Town'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 \$3,486,454, while total fund balance was \$6,408,822. 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.

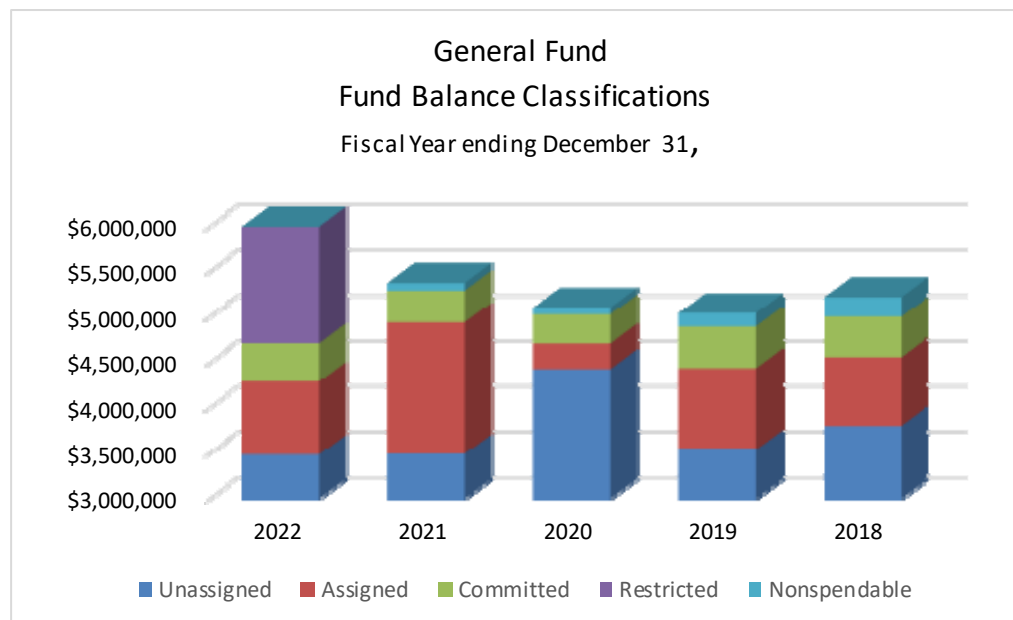
<u>For the Year Ended</u>	<u>General Fund Unassigned Fund Balance</u>	<u>Town, School and County Appropriations</u>	<u>% of General Fund Appropriations</u>
December 31, 2022	\$ 3,486,454	\$ 37,626,443	9%
December 31, 2021	\$ 3,494,344	\$ 35,527,093	10%

The fund balance of the General Fund increased by \$1,032,295 during the current year. This increase is mainly due to unspent bond proceeds, which will be spent in the following year.

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

	December 31, <u>2022</u>	December 31, <u>2021</u>	<u>Change</u>
<u>Committed Fund Balance</u>			
Compensated absences	\$ 137,833	\$ 115,869	\$ 21,964
Emergency municipal building and facility maintenance	119,493	92,547	26,946
Environmental defense study	54,054	53,168	886
Flint Pond restoration	297	292	5
General cemetery	5,697	-	5,697
Municipal transportation	72,176	59,705	12,471
Revaluation	<u>32,410</u>	<u>30,790</u>	<u>1,620</u>
Total	\$ <u>421,960</u>	\$ <u>352,371</u>	\$ <u>69,589</u>

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



### *Conservation Fund*

The Conservation Fund's decrease in fund balance of \$1,225,166 relates to land acquisition that was funded partly by land use taxes reported in the previous year.

### *Nonmajor Governmental Funds*

The fund balance of nonmajor governmental funds changed by only \$(9,810), essentially breakeven results.

## **General Fund Budgetary Highlights**

Differences between the General Fund original budget and the final amended budget resulted in an overall increase in appropriations of \$41,139. 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 \$610,623 with revenues and other sources over the estimated budget by \$153,903 and expenditures and other uses under the estimated budget by \$456,720. Significant variances include:

- Positive variance in property tax revenues of \$165,241 is mainly attributed to fewer than expected property tax abatements.
- Positive variance in general government of \$91,691 is mainly attributed to savings in employee benefit expenditures due to staff vacancies.
- Positive variance in public safety of \$209,245 is mainly attributed to savings in salary accounts due to positional vacancies.
- Positive variance in highways and streets of \$115,478 is mainly attributed to savings in salary accounts due to positional vacancies.

## **Capital Assets and Debt Administration**

### ***Capital Assets***

Total capital assets for governmental activities (net of accumulated depreciation) at year-end amounted to \$43,959,299, an increase of \$3,450,628 from the prior year. These capital assets include land, buildings and improvements, machinery, equipment and furnishings, and infrastructure.

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

- The construction on the DPW campus of \$978,786.
- The Worcester and Wheeler Road Reconstruction of \$1,493,616.
- The purchase of land for \$1,242,824.

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 \$8,107,700, all of which was backed by the full faith and credit of the Town.

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 Town'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, 2022

<b>Assets and Deferred Outflows of Resources</b>	<b>Governmental <u>Activities</u></b>
Assets	
Current:	
Cash and short-term investments	\$ 21,646,796
Investments	1,133,523
Receivables:	
Property taxes	727,258
Intergovernmental	45,836
Departmental and other	167,833
Leases	2,808
Other assets	<u>180,619</u>
Total current assets	23,904,673
Noncurrent:	
Receivables:	
Leases	86,184
Capital assets:	
Land	29,825,920
Other capital assets, net of accumulated depreciation	<u>14,133,379</u>
Total noncurrent assets	<u>44,045,483</u>
Total Assets	67,950,156
Deferred Outflows of Resources	
Related to pension	1,790,956
Related to OPEB	<u>184,445</u>
Total Deferred Outflows of Resources	<u>1,975,401</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ <u>69,925,557</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, 2022

(Continued)

<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>Governmental Activities</b>
Liabilities	
Current:	
Accounts payable	\$ 145,109
Accrued expenses	373,755
Due to external parties	11,963,691
Unearned revenue	1,193,834
Held for performance guarantees	683,466
Current portion of noncurrent liabilities:	
Bonds payable	1,231,427
Compensated absences liability	36,801
Equipment notes payable	<u>317,623</u>
Total current liabilities	15,945,706
Noncurrent:	
Bonds payable, net of current portion	7,361,173
Compensated absences liability, net of current portion	331,212
Equipment notes payable, net of current portion	503,564
Net pension liability	8,809,408
Total OPEB liability	<u>1,268,446</u>
Total noncurrent liabilities	<u>18,273,803</u>
Total Liabilities	34,219,509
Deferred Inflows of Resources	
Related to leases	88,993
Related to pension	127,773
Related to OPEB	<u>367,161</u>
Total Deferred Inflows of Resources	583,927
Net Position	
Net investment in capital assets	33,023,914
Restricted for:	
Conservation	682,571
Public safety	606,101
Culture and recreation	274,689
Other purposes	140,618
Permanent funds:	
Nonexpendable	760,842
Expendable	329,203
Unrestricted (deficit)	<u>(695,817)</u>
Total Net Position	<u>35,122,121</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Net Position</b>	<b>\$ <u>69,925,557</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, 2022

		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	\$ 4,359,740	\$ 161,665	\$ -	\$ -	\$ (4,198,075)
Public safety	4,408,634	781,943	-	-	(3,626,691)
Highways and streets	2,088,121	16,500	-	227,076	(1,844,545)
Sanitation	599,749	56,296	-	-	(543,453)
Health and welfare	61,148	425	-	-	(60,723)
Culture and recreation	549,662	49,633	103,132	-	(396,897)
Conservation	62,257	-	-	-	(62,257)
Interest and related costs	116,269	-	-	-	(116,269)
Total	\$ <u>12,245,580</u>	\$ <u>1,066,462</u>	\$ <u>103,132</u>	\$ <u>227,076</u>	(10,848,910)
<b>General Revenues</b>					
					7,872,538
					2,261,194
					67,083
					784,769
					60,626
					<u>212,638</u>
Total general revenues					<u>11,258,848</u>
Change in Net Position					409,938
<b>Net Position</b>					
Beginning of year					<u>34,712,183</u>
End of year					\$ <u><u>35,122,121</u></u>

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

**TOWN OF HOLLIS, NEW HAMPSHIRE**

Governmental Funds  
Balance Sheet  
December 31, 2022

	General <u>Fund</u>	Conservation <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>Assets</b>				
Cash and short-term investments	\$ 20,124,688	\$ 682,186	\$ 839,922	\$ 21,646,796
Investments	-	-	1,133,523	1,133,523
Receivables:				
Property taxes	727,233	25	-	727,258
Intergovernmental	45,836	-	-	45,836
Departmental and other	85,176	-	82,657	167,833
Leases	88,992	-	-	88,992
Due from other funds	839	360	866,692	867,891
Other assets	<u>180,619</u>	<u>-</u>	<u>-</u>	<u>180,619</u>
<b>Total Assets</b>	<b>\$ <u>21,253,383</u></b>	<b>\$ <u>682,571</u></b>	<b>\$ <u>2,922,794</u></b>	<b>\$ <u>24,858,748</u></b>
<b>Liabilities, Deferred Inflows of Resources, and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 143,777	\$ -	\$ 1,332	\$ 145,109
Accrued expenses	373,755	-	-	373,755
Due to custodial funds	11,963,691	-	-	11,963,691
Due to other funds	866,526	-	1,365	867,891
Unearned revenue	385,189	-	808,645	1,193,834
Held for performance guarantees	<u>683,466</u>	<u>-</u>	<u>-</u>	<u>683,466</u>
Total Liabilities	14,416,404	-	811,342	15,227,746
<b>Deferred Inflows of Resources</b>				
Related to leases	88,992	-	-	88,992
Unavailable revenues	<u>339,165</u>	<u>25</u>	<u>82,657</u>	<u>421,847</u>
Total Deferred Inflows of Resources	428,157	25	82,657	510,839
<b>Fund Balances</b>				
Nonspendable	180,619	-	760,842	941,461
Restricted	1,515,214	682,546	1,267,953	3,465,713
Committed	421,960	-	-	421,960
Assigned	804,575	-	-	804,575
Unassigned	<u>3,486,454</u>	<u>-</u>	<u>-</u>	<u>3,486,454</u>
Total Fund Balances	<u>6,408,822</u>	<u>682,546</u>	<u>2,028,795</u>	<u>9,120,163</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<b>\$ <u>21,253,383</u></b>	<b>\$ <u>682,571</u></b>	<b>\$ <u>2,922,794</u></b>	<b>\$ <u>24,858,748</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, 2022

<b>Total governmental fund balances</b>	\$ 9,120,163
• Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	43,959,299
• Property taxes and other revenues are recognized on the accrual basis of accounting in the Statement of Net Position, not the modified accrual basis.	421,846
• Deferred outflows and inflows of resources related to pension and OPEB are not financial resources nor are they available to pay current-period expenditures. Outflows and inflows consist of:	
Pension related deferred outflows	1,790,956
OPEB related deferred outflows	184,445
Pension related deferred inflows	(127,773)
OPEB related deferred inflows	(367,161)
• Long-term liabilities are not due and payable in the current period and, therefore, are not reported in governmental funds. Long-term liabilities at year-end consist of:	
Bonds payable, including premium	(8,592,600)
Compensated absences liability	(368,013)
Equipment notes payable	(821,187)
Net pension liability	(8,809,408)
Total OPEB liability	<u>(1,268,446)</u>
<b>Net position of governmental activities</b>	\$ <u>35,122,121</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, 2022

	<u>General Fund</u>	<u>Conservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Property taxes	\$ 7,333,755	\$ 616,053	\$ 13,975	\$ 7,963,783
Penalties, interest, and other taxes	67,083	-	-	67,083
Licenses and permits	2,456,228	-	-	2,456,228
Charges for services	496,756	-	353,632	850,388
Intergovernmental	1,069,379	-	45,598	1,114,977
Investment income (loss)	98,841	8,600	(46,815)	60,626
Miscellaneous	<u>210,760</u>	<u>1,875</u>	<u>-</u>	<u>212,635</u>
Total Revenues	11,732,802	626,528	366,390	12,725,720
<b>Expenditures</b>				
Current:				
General government	4,251,491	-	68,329	4,319,820
Public safety	4,100,408	-	148,223	4,248,631
Highways and streets	4,258,282	-	-	4,258,282
Sanitation	599,749	-	-	599,749
Health and welfare	61,114	-	34	61,148
Culture and recreation	41,040	-	454,682	495,722
Conservation	-	1,851,694	3,386	1,855,080
Debt service:				
Principal	973,700	-	-	973,700
Interest and related costs	<u>116,269</u>	<u>-</u>	<u>-</u>	<u>116,269</u>
Total Expenditures	<u>14,402,053</u>	<u>1,851,694</u>	<u>674,654</u>	<u>16,928,401</u>
Excess (deficiency) of revenues over expenditures	(2,669,251)	(1,225,166)	(308,264)	(4,202,681)
<b>Other Financing Sources (Uses)</b>				
Issuance of bond	3,515,100	-	-	3,515,100
Issuance of bond premium	484,900	-	-	484,900
Transfers in	143,725	-	408,478	552,203
Transfers out	<u>(442,179)</u>	<u>-</u>	<u>(110,024)</u>	<u>(552,203)</u>
Total Other Financing Sources (Uses)	<u>3,701,546</u>	<u>-</u>	<u>298,454</u>	<u>4,000,000</u>
Change in fund balance	1,032,295	(1,225,166)	(9,810)	(202,681)
Fund Balance, at Beginning of Year, as reclassified	<u>5,376,527</u>	<u>1,907,712</u>	<u>2,038,605</u>	<u>9,322,844</u>
Fund Balance, at End of Year	\$ <u>6,408,822</u>	\$ <u>682,546</u>	\$ <u>2,028,795</u>	\$ <u>9,120,163</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, 2022

<b>Net changes in fund balances - total governmental funds</b>	<b>\$ (202,681)</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:</li></ul>	
Capital asset additions	4,673,779
Depreciation	(1,223,151)
<ul style="list-style-type: none"><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.</li></ul>	(70,203)
<ul style="list-style-type: none"><li>The issuance of long-term debt (e.g., bonds and notes) 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:</li></ul>	
Issuance of bonds	(3,515,100)
Bond premium	(484,900)
Repayment of bonds	973,700
Repayment of equipment notes	309,257
<ul style="list-style-type: none"><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 governmental funds.</li></ul>	
Increase in compensated absences liability	(11,707)
Decrease in pension expense from GASB 68	18,953
Increase in OPEB expense from GASB 75	(58,009)
<b>Change in net position of governmental activities</b>	<b>\$ <u>409,938</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, 2022

	Custodial Funds
<b>Assets</b>	
Cash and short-term investments	\$ 810,509
Investments	524,266
Due from Town	<u>11,963,691</u>
<b>Total Assets</b>	<u><u>\$ 13,298,466</u></u>
<b>Liabilities and Net Position</b>	
Liabilities	
Due to school districts	\$ 11,963,692
Net Position	
Restricted for other governments	<u>1,334,774</u>
<b>Total Liabilities and Net Position</b>	<u><u>\$ 13,298,466</u></u>

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

**TOWN OF HOLLIS, NEW HAMPSHIRE**

Fiduciary Funds  
Statement of Changes in Fiduciary Net Position  
For the Year Ended December 31, 2022

	Custodial Funds
<b>Additions</b>	
Contributions for school districts	\$ 283,970
Investment loss	(14,941)
Taxes collected for school districts	23,463,691
Taxes collected for the County of Hillsborough	1,709,267
Fees collected for State of New Hampshire	<u>655,772</u>
Total Additions	26,097,759
<b>Deductions</b>	
Payments of taxes to school districts	23,463,691
Payment of taxes to the County of Hillsborough	1,709,267
Payments of fees to State of New Hampshire	655,772
Payments on behalf of school districts	<u>289,356</u>
Total Deductions	<u>26,118,086</u>
Change in Net Position	(20,327)
<b>Net Position Restricted for Other Governments</b>	
Beginning of year	<u>1,355,101</u>
End of year	<u><u>\$ 1,334,774</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 Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principles. 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 2022, it was determined that no entities met the component unit requirements of GASB 14 (as amended).

##### ***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. Major individual governmental funds are reported as separate columns in the fund financial statements.



### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

#### ***Government-Wide Financial Statements***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as 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 Town. 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 funds:

- 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 *Conservation Fund* accounts for revenues collected from land use change tax restricted for preservation and protection of open space, forest, and conservation land and related purchases of real property, land, or easements for conservation purposes in accordance with NH RSA 36-A.

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 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.

### ***Leases***

#### ***Town as Lessor***

The Town leases land for agricultural and related purposes as a Lessor. The Town recognizes a lease receivable and a deferred inflow of resources in the government-wide and governmental fund financial statements. At the commencement of a lease, the Town initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement date. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term using the effective interest method. The Town uses its estimated incremental borrowing rate as the discount rate for leases. The lease term includes the noncancellable period of the lease, including renewal terms reasonably certain to be exercised. Lease receipts included in the measurement of the lease receivable are composed of fixed payments from the lessee. The Town monitors changes in circumstances that would require a remeasurement of its lease receivable and will remeasure the lease receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

### ***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 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 current assets/deferred outflows and current liabilities/deferred inflows. The Town has implemented GASB Statement No. 54 (GASB 54), *Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions, as follows:

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, 2022:

- *Nonspendable* represents amounts that cannot be spent because they are either (1) not in spendable form or (2) 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 the residual classification for the General Fund and includes all amounts not contained in the other classifications. Temporary fund balance deficits are reported as negative amounts in the unassigned classification in other governmental funds. Positive unassigned amounts are reported only in the General Fund.

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 GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic

financial statements, and the reported amounts of revenues and expenditures/expenses during the year. Actual results could vary from estimates that were used.

## **2. Stewardship, Compliance, and Accountability**

### ***Budgetary Information***

The Town's budget is originally prepared by the 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, 2022, the Town's deposits and short-term investments bank balance of \$21,158,788 was either collateralized or held by a third party in the Town's name. The Town's investments of \$1,657,789 were held by a third party in the Town's name. The Town also held \$1,316,211 in NHPDIP, a state investment pool, which is not subject to custodial credit risk disclosure.

Investments in 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.

### ***Investments***

The following is a summary of the Town's investments as of December 31, 2022:

<u>Investment Type</u>	<u>Amount</u>
Corporate equities	\$ 1,146,800
Fixed income mutual funds	<u>510,989</u>
Total investments	\$ <u><u>1,657,789</u></u>

### ***Credit Risk***

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

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:

	<u>General Trust Funds</u>	<u>Charles J. Nichols 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, 2022, 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	\$ 510,989	\$ 176,261	\$ 112,010	\$ 209,611	\$ 12,926	\$ 181

#### *Concentration of Credit Risk*

Per the Trustees of Trust Funds investment policy, investments in fixed income securities shall not exceed 10 percent except for 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, 2022 was 5.19.

#### *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, 2022, the Town did 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 an asset or a liability. 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 had the following fair value measurements as of December 31, 2022:

		Fair Value Measurements Using:		
<u>Description</u>	<u>Amount</u>	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	\$ 510,989	\$ -	\$ 510,989	\$ -
Equity securities:				
Consumer cyclical	20,531	20,531	-	-
Consumer staples	71,652	71,652	-	-
Energy	164,642	164,642	-	-
Financials	59,252	59,252	-	-
Healthcare	256,080	256,080	-	-
Information technology	34,943	34,943	-	-
Other	107,230	107,230	-	-
Equity mutual funds	432,470	432,470	-	-
Total	\$ <u>1,657,789</u>	\$ <u>1,146,800</u>	\$ <u>510,989</u>	\$ <u>-</u>

#### **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 or around July 1 and December 1. Delinquent accounts are charged 8% interest. At the time of tax sale, in March of the next year, a lien is recorded on the property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs, and accrued interest. The accounts that are lienied by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 18%. The Town annually budgets an amount (overlay for abatements) for property tax abatements and refunds.

Property taxes receivable at December 31, 2022 consisted of the following:

Property taxes:	
2022 levy	\$ 584,929
Unredeemed taxes:	
2021 levy	69,216
2020 levy	29,324
2019 levy	5,407
2018 levy	5,179
2017 levy	4,823
2011 - 2016 levies	28,355
Land use tax	<u>25</u>
Total Property Taxes Receivable	\$ <u><u>727,258</u></u>

#### ***Taxes Collected for Others***

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

## **5. Interfund Transactions**

Although self-balancing funds are maintained, most transactions flow through the General Fund. In order to obtain accountability for each fund, interfund receivable and

payable accounts must be utilized. The following is a schedule of the December 31, 2022 balances in interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 839	\$ 866,526
Conservation Fund	360	-
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Ambulance	184	-
ARPA	808,645	-
Highway block grant	57,310	-
Police private details	-	1,365
Zylonis	553	-
Total Nonmajor Governmental Funds:	<u>866,692</u>	<u>1,365</u>
Total	<u>\$ 867,891</u>	<u>\$ 867,891</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 fund financial statements. The following is a schedule of the interfund transfers made in 2022:

<u>Governmental Funds</u>	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 143,725	\$ 442,179
Nonmajor Governmental Funds:		
Special Revenue Funds:		
Ambulance	651	-
Library	355,864	-
Zylonis	1,963	-
Heritage	50,000	-
Permanent Trust Funds:		
Ambulance	-	651
Cemetery	-	103,696
Charles J. Nichols	-	2,110
Charles Zylonis - Library	-	1,963
Library	-	1,365
Nichols Field Horse Ring	-	75
Public Welfare	-	164
Total Nonmajor Governmental Funds:	<u>408,478</u>	<u>110,024</u>
Total	<u>\$ 552,203</u>	<u>\$ 552,203</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, included in the \$442,179 transfer from the General Fund is a transfer of \$354,000 to the Library (special revenue fund), representing the annual funding of operations of the Library.

## 6. Capital Assets

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 10,896,561	\$ 98,515	\$ -	\$ 10,995,076
Machinery, equipment, and furnishings	9,287,825	310,037	(197,768)	9,400,094
Infrastructure	<u>13,950,593</u>	<u>2,472,403</u>	<u>-</u>	<u>16,422,996</u>
Total capital assets, being depreciated	34,134,979	2,880,955	(197,768)	36,818,166
Less accumulated depreciation for:				
Buildings and improvements	(6,558,752)	(271,236)	-	(6,829,988)
Machinery, equipment, and furnishings	(6,065,277)	(676,305)	197,768	(6,543,814)
Infrastructure	<u>(9,035,375)</u>	<u>(275,610)</u>	<u>-</u>	<u>(9,310,985)</u>
Total accumulated depreciation	<u>(21,659,404)</u>	<u>(1,223,151)</u>	<u>197,768</u>	<u>(22,684,787)</u>
Total capital assets, being depreciated, net	12,475,575	1,657,804	-	14,133,379
Capital assets, not being depreciated:				
Land	<u>28,033,096</u>	<u>1,792,824</u>	<u>-</u>	<u>29,825,920</u>
Total capital assets, not being depreciated	<u>28,033,096</u>	<u>1,792,824</u>	<u>-</u>	<u>29,825,920</u>
Governmental activities capital assets, net	\$ <u>40,508,671</u>	\$ <u>3,450,628</u>	\$ <u>-</u>	\$ <u>43,959,299</u>

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

Governmental Activities:	
General government	\$ 66,062
Public safety	589,883
Highways and streets	514,437
Culture and recreation	<u>52,769</u>
Total	\$ <u>1,223,151</u>

## 7. Deferred Outflows of Resources

Deferred outflows of resources represent the consumption of net assets 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 2022 expenditures paid after December 31, 2022.

## 9. Unearned Revenue

Unearned revenue represents the receipt of American Rescue Plan Act (ARPA) and other grant funds that will be recognized as revenue in future years.

## 10. 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, equipment notes, the net pension liability, and the total OPEB liability are repaid from revenues recorded in the General Fund.

General obligation bonds outstanding were as follows at December 31, 2022:

<u>Governmental Activities:</u>	<u>Description</u>	<u>Original Issue</u>	<u>Issue Date</u>	<u>Serial Maturities Through</u>	<u>Interest Rate %</u>	<u>Amount Outstanding as of 12/31/22</u>
GO Refunding Bond 2014 Series B-1	Refinancing of 2005 Bond for Land Acquisitions and Safety Complex	\$ 3,627,000	12/19/14	08/15/25	2.41%	\$ 1,014,000
GO Bonds	Stefanowicz and Birch Hill Land Acquisitions	4,675,000	02/14/17	02/01/27	2.14%	2,325,000
GO Refunding Bonds	Refinancing of 2014 Series B-2 Bond for Safety Complex	1,567,000	11/30/20	11/30/30	2.00%	1,253,600
GO Bonds	DPW Facility and Road Reconstruction	3,515,100	07/13/22	08/15/37	5.10%	3,515,100
Total Governmental Activities - Direct Placement						<u>\$ 8,107,700</u>

**Future Debt Service**

The annual payments to repay bonds payable outstanding as of December 31, 2022 were as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,199,100	\$ 289,834	\$ 1,488,934
2024	1,194,100	240,523	1,434,623
2025	1,189,100	207,181	1,396,281
2026	856,100	174,003	1,030,103
2027	856,100	148,964	1,005,064
2028 - 2032	1,642,000	496,750	2,138,750
2033 - 2037	<u>1,171,200</u>	<u>179,178</u>	<u>1,350,378</u>
Total	\$ <u>8,107,700</u>	\$ <u>1,736,433</u>	\$ <u>9,844,133</u>

The Town finances certain equipment. The annual payments outstanding under the equipment notes consisted of the following as of December 31, 2022:

	<u>Principal</u>	<u>Interest</u>
2023	\$ 317,623	\$ 20,169
2024	259,416	11,569
2025	192,062	4,804
2026	<u>52,086</u>	<u>591</u>
Total	\$ <u>821,187</u>	\$ <u>37,133</u>

**Changes in Long-Term Liabilities**

During the year ended December 31, 2022, the following changes occurred in long-term liabilities:

	Total Balance <u>1/1/22</u>	<u>Additions</u>	<u>Reductions</u>	Total Balance <u>12/31/22</u>	Less Current Portion	Equals Long-Term Portion <u>12/31/22</u>
<b>Governmental Activities</b>						
Bonds payable - direct placement	\$ 5,566,300	\$ 3,515,100	\$ (973,700)	\$ 8,107,700	\$ (1,199,100)	\$ 6,908,600
Unamortized bond premium	-	<u>484,900</u>	-	<u>484,900</u>	<u>(32,327)</u>	<u>452,573</u>
Subtotal	5,566,300	4,000,000	(973,700)	8,592,600	(1,231,427)	7,361,173
Compensated absences liability	356,306	11,707	-	368,013	(36,801)	331,212
Equipment notes payable	1,130,444	-	(309,257)	821,187	(317,623)	503,564
Net pension liability	6,731,674	2,077,734	-	8,809,408	-	8,809,408
Total OPEB liability	<u>1,411,635</u>	-	<u>(143,189)</u>	<u>1,268,446</u>	-	<u>1,268,446</u>
Totals	\$ <u>15,196,359</u>	\$ <u>6,089,441</u>	\$ <u>(1,426,146)</u>	\$ <u>19,859,654</u>	\$ <u>(1,585,851)</u>	\$ <u>18,273,803</u>

**11. Deferred Inflows of Resources**

Deferred inflows of resources represent the acquisition of net assets 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. Deferred inflows related to leases, in accordance with GASB Statement No. 87, have been recognized in 2022, and are offset by leases receivable. *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.

## 12. Governmental Funds – Fund Balances

The Town's fund balances at December 31, 2022 were comprised of the following:

	General <u>Fund</u>	Conservation <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	<u>Total</u>
Nonspendable:				
Prepaid expenses	\$ 170,871	\$ -	\$ -	\$ 170,871
Tax deeded property	9,748	-	-	9,748
Nonexpendable permanent funds:				
Charles Nichols	-	-	265,663	265,663
Charles Zylonis	-	-	94,986	94,986
Common Cemetery	-	-	257,073	257,073
All remaining	-	-	143,120	143,120
Total Nonspendable	180,619	-	760,842	941,461
Restricted:				
Unspent bond proceeds	1,515,214	-	-	1,515,214
Expendable permanent funds:				
Charles Nichols	-	-	49,368	49,368
Charles Zylonis	-	-	10,289	10,289
Common Cemetery	-	-	52,026	52,026
All remaining	-	-	217,517	217,517
Special revenue funds:				
Ambulance	-	-	507,730	507,730
Conservation	-	682,546	-	682,546
Library	-	-	65,480	65,480
Pearl Rideout - Library	-	-	56,342	56,342
All remaining	-	-	309,201	309,201
Total Restricted	1,515,214	682,546	1,267,953	3,465,713
Committed:				
Compensated absences	137,833	-	-	137,833
Emergency municipal building and facility maintenance	119,493	-	-	119,493
Environmental defense study	54,054	-	-	54,054
Flint Pond restoration	297	-	-	297
General cemetery	5,697	-	-	5,697
Municipal transportation	72,176	-	-	72,176
Revaluation	32,410	-	-	32,410
Total Committed	421,960	-	-	421,960
Assigned:				
Encumbered for:				
Town Hall	39,325	-	-	39,325
Fire	8,380	-	-	8,380
Public works	187,870	-	-	187,870
Use of fund balance for 2023	569,000	-	-	569,000
Total Assigned	804,575	-	-	804,575
Unassigned	3,486,454	-	-	3,486,454
Total Unassigned	3,486,454	-	-	3,486,454
Total Fund Balance	\$ 6,408,822	\$ 682,546	\$ 2,028,795	\$ 9,120,163

### **13. New Hampshire 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 State of New Hampshire Retirement System (NHRS).

#### ***Plan Description***

Full-time employees participate in the New Hampshire Retirement System (NHRS), a cost-sharing, multiple-employer, defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. NHRS is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State of New Hampshire are eligible and required to participate in NHRS. 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 and 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 [nhrs.org](http://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. 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 13.75% for employees, 30.67% for police, and 29.78% for fire. The Town's contribution to NHRS for the year ended December 31, 2022 was \$909,539 (exclusive of \$72,381 in medical subsidy contributions), which was equal to its annual required contribution.

Given the plan's contribution allocation procedure, if all actuarial assumptions are met (including the assumption of the plan earning 6.75% on the actuarial value of assets), it is expected that the unfunded actuarial accrued liability as of June 30, 2017 is expected to be fully paid off by June 30, 2039.

### ***Summary of Significant Accounting Policies***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pension, 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 Pension***

At December 31, 2022, the Town reported a liability of \$8,809,408 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2021. The Town's proportion of the net

pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At the most recent measurement date of June 30, 2022, the Town's proportion was 0.15%.

For the year ended December 31, 2022, the Town recognized pension expense of \$890,582. In addition, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 165,337	\$ 33,818
Changes in proportion	370,688	93,955
Net difference between projected and actual earnings on pension plan investments	333,865	-
Changes in assumption	468,590	-
Contributions subsequent to the measurement date	<u>452,476</u>	<u>-</u>
Total	<u>\$ 1,790,956</u>	<u>\$ 127,773</u>

The amounts reported as deferred outflows of resources and deferred inflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as an increase (decrease) in pension expense as follows:

<u>Year ended December 31,</u>	
2023	\$ 391,277
2024	392,995
2025	(48,467)
2026	<u>474,902</u>
Total	<u>\$ 1,210,707</u>

**Actuarial Assumptions and Other Inputs**

The collective total pension liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.00%
Wage inflation	2.75%
Salary increases	5.40% average, including inflation
Investment rate of return	6.75%

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

The actuarial assumptions used in the January 1, 2022 valuation were based on the results of the actuarial experience study for the period from July 1, 2015 – 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 following is a table presenting target allocations and geometric real rates of return for each asset class:

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Weighted Average Average Long- Term Expected Real Rate of Return</u>
Broad US Equity	30.00 %	7.60%
Global Ex-US Equity	<u>20.00</u>	7.90%
Public Equity	50.00	
Real Estate Equity	10.00	6.60%
Private Equity	<u>10.00</u>	8.85%
Private Market Equity	20.00	
Core US Fixed Income	<u>25.00</u>	3.60%
Total fixed income	25.00	
Private debt	<u>5.00</u>	7.25%
Private Debt	5.00	
Inflation	<u>-</u>	2.25%
Total	<u>100.00 %</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:

1%	Current	1%
<u>Decrease</u>	<u>Discount</u>	<u>Increase</u>
<u>Rate</u>	<u>Rate</u>	
\$11,820,005	\$8,809,408	\$ 6,306,376

***Pension Plan Fiduciary Net Position***

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

**14. 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, 2022, with a measurement date of December 31, 2022.

### ***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, 2022, the following employees were covered by the benefit terms:

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

#### ***Funding Policy***

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

#### ***Actuarial Assumptions and Other Inputs***

The total OPEB liability was determined by an actuarial valuation as of January 1, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.40%
Discount Rate	3.72%
Ultimate Medical Trend Rate	3.90%

Mortality rates for general employees were based on the following:

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

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

- Pre-Retirement: PubT-2010 headcount-weighted Employee Safety Mortality Tables, projected with fully generational mortality improvement using scale MP-2019.
- Post Retirement:
  - Health Retirees: 96% of PubT-2010 headcount-weighted Retiree Safety Mortality Tables for males and 99% of PubT-2010 headcount-weighted Retiree Safety Mortality Tables for females, projected with fully generational mortality improvement using scale MP-2019.
  - Surviving Spouses: PubT-2010 Contingent Survivor Safety Morality 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 3.72% and was based on the Bond Buyer 20-Bond GO Index published on December 31, 2022. 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 Liability
Balance, beginning of year	\$ 793,864
Changes for the year:	
Service cost	66,929
Interest	17,696
Changes of assumptions or other inputs	(245,155)
Benefit payments	<u>(3,489)</u>
Net changes	<u>(164,019)</u>
Balance, end of year	<u>\$ 629,845</u>

Changes of assumptions or other inputs reflect an increase in the discount rate from 2.06% in 2021 to 3.72% in 2022, 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>	
\$ 704,335	\$ 629,845	\$ 564,340

#### *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>	
\$ 541,224	\$ 629,845	\$ 737,340

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

For the year ended December 31, 2022, the Town recognized an OPEB expense of \$51,043. At December 31, 2022, 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>
Differences between expected and actual experience	\$ -	\$ 218,969
Changes in assumptions	<u>147,167</u>	<u>148,192</u>
Total	\$ <u>147,167</u>	\$ <u>367,161</u>

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

Year ended December 31,

2023	\$ (33,582)
2024	(33,582)
2025	(33,582)
2026	(33,582)
2027	(24,019)
Thereafter	<u>(61,647)</u>
Total	\$ <u>(219,994)</u>

***New Hampshire Retirement System Medical Subsidy Plan***

The following OPEB disclosures for the New Hampshire Retirement System Medical Subsidy Plan are based upon an actuarial valuation performed as of June 30, 2021, using a measurement date of June 30, 2022.

***Plan Description***

In addition to the OPEB plan discussed above, the Town participates in the New Hampshire Retirement System (NHRS) Medical Subsidy. The NHRS administers a cost-sharing, multiple-employer, defined benefit postemployment medical subsidy healthcare plan designated in statute by membership 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 [nhrs.org](http://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 0.31% of earnable compensation for Group I employees and 3.21% 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 in the New Hampshire Retirement System footnote, which is disclosed in Note 13.

#### *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, 2022 was \$638,601, representing 0.17%.

For the year ended December 31, 2022, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$82,835. At December 31, 2022, 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	\$ 35,533	\$ -
Net difference between projected and actual OPEB investment earnings	<u>1,745</u>	<u>-</u>
Total	\$ <u>37,278</u>	\$ <u>-</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 as increases (decreases) in OPEB expense as follows:

<u>Year ended December 31,</u>	
2023	\$ 290
2024	75
2025	(687)
2026	<u>2,067</u>
Total	\$ <u>1,745</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:

1%	Current	1%
<u>Decrease</u>	<u>Discount</u>	<u>Increase</u>
<u>Rate</u>	<u>Rate</u>	<u>Rate</u>
\$ 693,310	\$ 638,601	\$ 590,954

*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, 2022. Details related to these items are presented separately for each plan on the previous pages.

	Total OPEB <u>Liability</u>	Total Deferred Outflows <u>of Resources</u>	Total Deferred Inflows <u>of Resources</u>	Total OPEB <u>Expense</u>
Town OPEB Plan	\$ 629,845	\$ 147,167	\$ 367,161	\$ 51,043
Proportionate share of NHRS Medical Subsidy Plan	<u>638,601</u>	<u>37,278</u>	<u>-</u>	<u>82,835</u>
Total	<u>\$ 1,268,446</u>	<u>\$ 184,445</u>	<u>\$ 367,161</u>	<u>\$ 133,878</u>

**15. 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 \$235,575 in encumbrances that will be honored in the next fiscal year.

**16. Beginning Fund Balance Reclassification**

The Town's major governmental funds for year 2022, as defined by Governmental Accounting Boards Statement No. 34, *Basic Financial Statements – and Management's*

*Discussion and Analysis – for State and Local Governments*, have changed from the previous fiscal year. Accordingly, the following reconciliation is provided:

**Fund Basis Financial Statements**

	Conservation <u>Fund</u>	Nonmajor <u>Governmental Funds</u>
As previously stated	\$ -	\$ 3,946,317
Major fund reclassification	<u>1,907,712</u>	<u>(1,907,712)</u>
As reclassified	<u>\$ 1,907,712</u>	<u>\$ 2,038,605</u>

**17. Subsequent Events**

Management has evaluated subsequent events through June 15, 2023, 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 pronouncements.

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements* (P3s and APAs), and GASB Statement No. 96, *Subscription-Based Information Technology Arrangements* (SBITAs), effective for the Town beginning with its fiscal year ending June 30, 2023. These statements establish new reporting and disclosure requirements for P3s, APAs, and SBITAs. Management is currently evaluating the impact of implementing these pronouncements.

**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, 2022  
(unaudited)

	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	\$ 7,168,514	\$ -	\$ 7,168,514	\$ 7,333,755	\$ 165,241
Penalties, interest, and other taxes	75,025	-	75,025	67,083	(7,942)
Licenses and permits	2,465,000	-	2,465,000	2,456,228	(8,772)
Charges for services	486,692	-	486,692	496,756	10,064
Intergovernmental	1,073,480	-	1,073,480	1,069,379	(4,101)
Investment income	30,000	-	30,000	42,684	12,684
Miscellaneous	193,000	-	193,000	210,760	17,760
Transfers in	70,200	-	70,200	39,169	(31,031)
Use of fund balance	<u>1,364,000</u>	<u>41,139</u>	<u>1,405,139</u>	<u>1,405,139</u>	<u>-</u>
Total Revenues and Other Sources	12,925,911	41,139	12,967,050	13,120,953	153,903
<b>Expenditures and Other Uses</b>					
Current:					
General government	4,109,289	2,681	4,111,970	4,020,279	91,691
Public safety	4,271,195	38,458	4,309,653	4,100,408	209,245
Highways and streets	2,083,278	-	2,083,278	1,967,800	115,478
Sanitation	603,081	-	603,081	599,749	3,332
Health and welfare	60,500	-	60,500	61,114	(614)
Culture and recreation	47,700	-	47,700	41,040	6,660
Conservation	1	-	1	-	1
Debt service:					
Principal	967,700	-	967,700	973,700	(6,000)
Interest and related costs	115,167	-	115,167	116,269	(1,102)
Transfers out	<u>668,000</u>	<u>-</u>	<u>668,000</u>	<u>629,971</u>	<u>38,029</u>
Total Expenditures and Other Uses	<u>12,925,911</u>	<u>41,139</u>	<u>12,967,050</u>	<u>12,510,330</u>	<u>456,720</u>
Excess of revenues and other sources over expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>610,623</u>	\$ <u>610,623</u>

See Independent Auditor's Report and Notes to Required Supplementary Information.

## Notes to Required Supplementary Information for General Fund Budget

### ***Budgetary Basis***

The General Fund final appropriation appearing on the previous page represents the final amended budget after all 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)	\$ 11,732,802	\$ 14,402,053
Other financing sources/uses (GAAP basis)	<u>4,143,725</u>	<u>442,179</u>
Subtotal (GAAP Basis)	15,876,527	14,844,232
Add 2022 appropriation carryforwards to expenditures	-	235,625
Reverse capital reserve fund activity	(160,713)	(91,125)
To reverse issuance of bond and related expenditures	(3,515,100)	(2,478,402)
To reverse bond premium	(484,900)	-
To record use of assigned fund balance	41,139	-
To record use of unassigned fund balance	<u>1,364,000</u>	<u>-</u>
Budgetary Basis	<u>\$ 13,120,953</u>	<u>\$ 12,510,330</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, 2022	June 30, 2022	0.1536%	\$ 8,809,408	\$ 4,026,909	218.8%	65.12%
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, 2022	\$ 909,539	\$ 909,539	\$ -	\$4,135,425	22.0%
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%

*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 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, 2022	June 30, 2022	0.1690%	\$ 638,601	\$ 4,026,909	15.86%	10.64%
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, 2022	\$ 72,381	\$ 72,381	\$ -	\$ 4,135,425	1.75%	
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

Schedules of Changes in the Total OPEB Liability - Town Plan  
(Unaudited)

For the Years Ended December 31,	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>					
Service cost	\$ 66,929	\$ 63,573	\$ 33,367	\$ 32,553	\$ 35,932
Interest	17,696	16,823	23,310	29,542	25,387
Differences between expected and actual experience	(103,866)	-	(216,009)	-	-
Changes of assumptions	(141,289)	12,695	126,877	108,630	(49,225)
Benefit payments, including refunds of member contributions	<u>(3,489)</u>	<u>(58,402)</u>	<u>(51,478)</u>	<u>(30,891)</u>	<u>(21,578)</u>
Net change in total OPEB liability	(164,019)	34,689	(83,933)	139,834	(9,484)
Total OPEB liability - beginning	<u>793,864</u>	<u>759,175</u>	<u>843,108</u>	<u>703,274</u>	<u>712,758</u>
Total OPEB liability - ending	<u>\$ 629,845</u>	<u>\$ 793,864</u>	<u>\$ 759,175</u>	<u>\$ 843,108</u>	<u>\$ 703,274</u>

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