

TOWN OF HENNIKER

Henniker, New Hampshire

FINANCIAL STATEMENTS

December 31, 2020

and

Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

ROBERGE AND COMPANY, P.C.

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Henniker
Henniker, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Henniker as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Henniker, as of December 31, 2020, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in total OPEB liability, schedules of proportionate share and contributions of the NHRS net OPEB liability, and schedules of proportionate share and contributions of the net pension liability as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Henniker's basic financial statements. The combining nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor fund financial statements are fairly stated in all material respects in relation to the basic financial statements as a whole.

Roberge and Co., P.C.

ROBERGE & COMPANY, P.C.

Franklin, New Hampshire

September 8, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Henniker
December 31, 2020

The Board of Selectmen and the Town Administrator, as "management" of the Town of Henniker (the "Town"), a local municipality located in the County of Merrimack, New Hampshire, submits this section of the Town's annual financial report in order to present our discussion and analysis of the Town's financial performance during the year ended December 31, 2020, in accordance with the provisions of Governmental Accounting Standards Board Statement 34 (GASB 34). Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Town's total combined net position increased by \$1,582,894 or 6% between December 31, 2019, and 2020.
- The Town's total combined net position amounted to \$27,243,428 as of December 31, 2020. Net position consisted of \$21,476,257 net investment in capital assets; \$5,372,622 restricted for permanent trust funds; \$1,193,024 for other purposes; and an unrestricted deficit balance of \$(798,475).
- The Town has a \$6,678,484 liability for long-term obligations. This does not mean that the Town has this entire payment requirement for next year; rather, only \$292,566 of these obligations is due to be paid during the year ended December 31, 2021.
- The Town's long-term liabilities, consisting of general obligation bonds, capital leases, compensated absence obligations, unamortized bond premiums, other postemployment benefit obligations, and net pension liability increased by a net (additions less reductions) \$620,714 during the year ended December 31, 2020.
- During the year, the Town's expenses were \$1,582,894 less than the \$9,043,457 in revenues generated for charges for services, operating grants and contributions and general revenues (consisting of property taxes and local, state and federal grants and contributions not restricted to specific purposes).

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Henniker
December 31, 2020

OVERVIEW OF THE FINANCIAL STATEMENTS

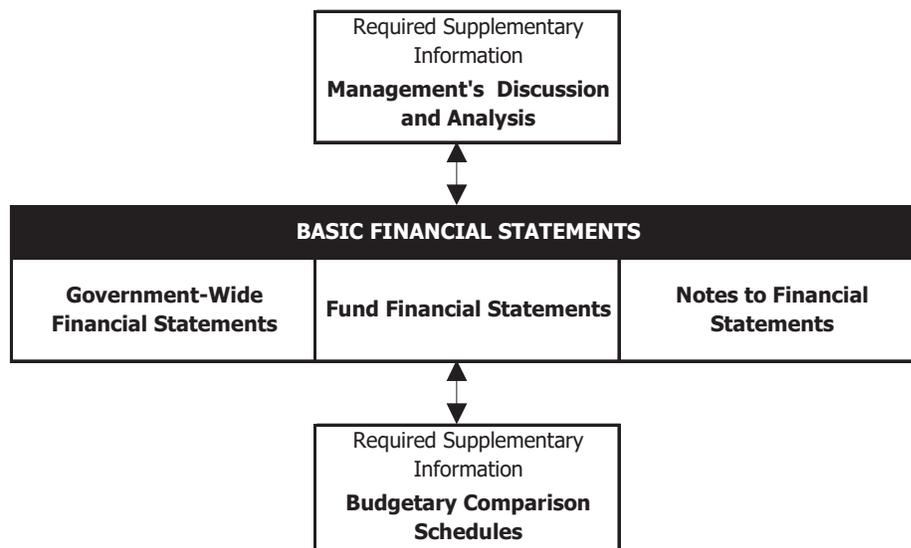
This discussion and analysis is intended to serve as an introduction to the Town's basic financial statements. The Town's financial statements are comprised of five primary sections or components: (1) basic government-wide financial statements, (full accrual financial statements), (2) basic fund financial statements, (modified accrual financial statements, current financial resources only), (3) notes to basic financial statements, (4) required supplementary information, (5) other supplementary information.

The basic financial statements include two kinds of statements that present different views of the Town based upon measurement focus and basis of accounting.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Town, reporting the Town's operations in more detail than the government-wide statements. The governmental funds statements tell how the Town's services were financed in the short term as well as what remains for future spending. Fiduciary fund statements provide information about the financial relationships in which the Town acts solely as a trustee or agent for the benefit of others, to whom the resources belong.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Exhibit A-1 shows how the required parts of this annual report are arranged and related to one another.

Exhibit A-1



MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Henniker
December 31, 2020

Exhibit A-2 summarizes the major features of the Town's financial statements, including the portion of the Town government they cover and the types of information they contain.

Exhibit A-2

	Government-Wide	Fund Statements	
		Governmental	Fiduciary
SCOPE	Entire Town government (except fiduciary funds)	All activities of the Town that are not proprietary or fiduciary	Instances in which the Town is the trustee or agent for someone else's resources
REQUIRED FINANCIAL STATEMENTS	Statement of Net Position	Balance Sheet	Statement of Fiduciary Net Position
	Statement of Activities	Statement of Revenues, Expenditures and Changes in Fund Balances	Statement of Changes in Fiduciary Net Position
ACCOUNTING BASIS	Accrual	Modified Accrual	Accrual
MEASUREMENT FOCUS	Economic Resources	Current Financial Resources	Economic Resources
TYPE OF INFORMATION ASSETS AND DEFERRED OUTFLOWS, AND LIABILITIES AND DEFERRED INFLOWS	All assets and deferred outflows, and liabilities and deferred inflows, both financial and capital, short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter, no capital assets included	All assets and deferred outflows, and liabilities and deferred inflows, both short-term and long-term; the Agency funds do not currently have capital assets although they can
TYPE OF INFORMATION REVENUES, EXPENSES, AND EXPENDITURES	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid

The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Henniker
December 31, 2020

Government-Wide Financial Statements:

The first two basic statements are government-wide financial statements that provide both long-term and short-term information about the Town's overall financial status and report net position and changes in them. Net position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources and is one way to measure the Town's financial health, or financial position.

- Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating, respectively.
- In order to assess the overall health of the Town other non-financial factors should also be considered, such as changes in the Town's general revenues (principally property taxes and general state aid), and federal and state intergovernmental revenues (grant programs); the condition of the Town's buildings and other depreciable property (likelihood of emergency repairs or maintenance); and other items subject to significant financial or budgetary uncertainty.

The government-wide financial statements of the Town are included in the Governmental Activities category. Most of the Town's basic services are included here, such as executive, public safety, highway maintenance, sanitation, culture and recreation and conservation services. General revenues, including property taxes, state aid, and federal and state grant programs, finance most of these activities.

Fund Financial Statements:

The fund financial statements provide more detailed information about the Town's most significant funds, not the Town as a whole. Funds are accounting devices that the Town uses to keep track of specific sources of funding and spending for particular purposes. State law, regulation or bond covenants actually require the establishment of some funds, while others are established to comply with the requirements of grantors. The Town has two kinds of funds:

Governmental Funds - Most of the Town's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. Because information does not encompass the additional long-term focus of the government-wide statements, we provide additional information on the subsequent page that explains the relationships (or differences) between them.

Fiduciary Funds - The Town is responsible for other assets that, because of an agency arrangement, can be used only for the intended purposes. These funds are excluded from the Town's government-wide financial statements because the Town cannot use these assets to finance its operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Henniker
December 31, 2020

CONDENSED FINANCIAL INFORMATION AND ANALYSIS OF THE TOWN AS A WHOLE Net Position

Exhibit B-1 shows the composition of the Town's total combined net position, which increased between December 31, 2019, and 2020 by \$1,582,894 or 6% to \$27,243,428.

Exhibit B-1 NET POSITION

	Governmental Activities		
	2019	2020	Change
Assets			
Current and other assets	\$ 13,319,841	\$ 15,683,663	\$ 2,363,822
Noncurrent assets	23,512,922	23,220,756	(292,166)
Total assets	<u>36,832,763</u>	<u>38,904,419</u>	<u>2,071,656</u>
Deferred Outflows of Resources			
Deferred outflows of resources	367,976	1,086,745	718,769
Total deferred outflows of resources	<u>367,976</u>	<u>1,086,745</u>	<u>718,769</u>
Liabilities			
Current liabilities	5,089,470	5,338,902	249,432
Noncurrent liabilities	5,673,641	6,386,918	713,277
Total liabilities	<u>10,763,111</u>	<u>11,725,820</u>	<u>962,709</u>
Deferred Inflows of Resources			
Deferred inflows of resources	777,094	1,021,916	244,822
Total deferred inflows of resources	<u>777,094</u>	<u>1,021,916</u>	<u>244,822</u>
Net Position			
Net investment in capital assets	21,384,843	21,476,257	91,414
Restricted	5,823,410	6,565,646	742,236
Unrestricted	(1,547,719)	(798,475)	749,244
Total net position	<u>\$ 25,660,534</u>	<u>\$ 27,243,428</u>	<u>\$ 1,582,894</u>

A portion of the net position is either invested in capital assets or restricted as to the purposes they can be used for.

- The Town's investment in capital assets (land and land improvements, construction in progress, buildings, vehicles, machinery and equipment and infrastructure, net of accumulated depreciation), net of related debt, is the largest component of the total combined net position.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Henniker
December 31, 2020

- Restricted net position represented permanent trust funds and specific fund net position amounts that are not available for discretionary spending.

Unrestricted net position was a negative \$(798,475) as of December 31, 2020.

Change in Net Position

The Town's total revenues were \$9,043,457 while total expenses were \$7,460,563, resulting in an increase in net position of \$1,582,894.

Exhibit B-2 shows that a significant portion of the Town's total revenues came from the following general revenue sources; 49.09% from property taxes, 11.12% from local sources and unrestricted fees and, 5.19% from State of New Hampshire source intergovernmental revenues primarily derived from state aid programs. Program revenues directly associated with a specific department accounted for the following percentages of total revenues, charges for services provided 19.93% of total revenues, while operating grants and contributions provided 3.44% of total revenues.

Exhibit B-2 SOURCES OF TOWN REVENUES

Governmental Activities							
	2019		2020		Change		
Program Revenues							
Charges for services	\$	1,917,369	20.49%	\$	1,802,148	19.93%	\$ (115,221) -6.01%
Operating grants and contributions		698,752	7.47%		311,400	3.44%	(387,352) -55.43%
General Revenues							
Property taxes		4,278,637	45.72%		4,439,558	49.09%	160,921 3.76%
Local sources		995,643	10.64%		1,005,197	11.12%	9,554 0.96%
State of New Hampshire sources		311,430	3.33%		469,194	5.19%	157,764 50.66%
Miscellaneous		1,156,248	12.36%		1,015,960	11.23%	(140,288) -12.13%
	\$	<u>9,358,079</u>	<u>100.00%</u>	\$	<u>9,043,457</u>	<u>100.00%</u>	<u>\$ (314,622) -3.36%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Henniker
December 31, 2020

Exhibit B-3 shows that 14.51% of the Town's total expenses were for general government services, public safety expenses accounted for 28.19% of total expenses, 11.23% were for maintenance of highways and streets and 12.91% were for sanitation services.

Exhibit B-3 TOWN EXPENSES

Governmental Activities

	2019		2020		Change	
Functions / Programs						
General government	\$ 1,017,950	13.16%	\$ 1,082,712	14.51%	\$ 64,762	6.36%
Public safety	1,968,456	25.44%	2,103,032	28.19%	134,576	6.84%
Highways and streets	1,015,261	13.12%	837,522	11.23%	(177,739)	-17.51%
Sanitation	1,030,818	13.32%	963,425	12.91%	(67,393)	-6.54%
Water distribution and treatment	388,309	5.02%	370,494	4.97%	(17,815)	-4.59%
Health	77,138	1.00%	71,756	0.96%	(5,382)	-6.98%
Welfare	71,132	0.92%	69,522	0.93%	(1,610)	-2.26%
Culture and recreation	372,373	4.81%	551,784	7.40%	179,411	48.18%
Conservation	2,289	0.03%	2,166	0.03%	(123)	-5.37%
Debt service	79,778	1.03%	33,174	0.44%	(46,604)	-58.42%
Capital outlay	631,413	8.16%	58,727	0.79%	(572,686)	-90.70%
Other financing uses	(13,997)	-0.18%	151,760	2.03%	165,757	2.14%
Unallocated						
Depreciation	1,095,514	14.16%	1,164,489	15.61%	68,975	6.30%
	<u>\$ 7,736,434</u>	<u>100.00%</u>	<u>\$ 7,460,563</u>	<u>100.00%</u>	<u>\$ (275,871)</u>	<u>-3.57%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Henniker
December 31, 2020

Governmental Activities

Exhibit B-4 presents the net cost of the Town's largest functions based upon the total expense, less charges for services and operating grants and contributions, of each function. The net cost reflects the amount that was funded by general revenues (principally property taxes and general state aid).

Exhibit B-4 TOTAL AND NET COST OF SERVICES

	2019		2020	
	Total Cost of Services	Net Cost of Services	Total Cost of Services	Net Cost of Services
Functions / Programs				
General government	\$ 1,017,950	\$ 875,246	\$ 1,082,712	\$ 999,407
Public safety	1,968,456	1,424,242	2,103,032	1,596,600
Highways and streets	1,015,261	733,539	837,522	556,932
Sanitation	1,030,818	364,946	963,425	313,180
Water distribution and treatment	388,309	(182,553)	370,494	(212,814)
Health	77,138	77,138	71,756	71,756
Welfare	71,132	71,132	69,522	69,522
Culture and recreation	372,373	371,119	551,784	542,116
Conservation	2,289	2,289	2,166	2,166
Debt Service	79,778	79,778	33,174	33,174
Capital outlay	631,413	221,920	58,727	58,727
Other financing uses/nonoperating expenses	(13,997)	(13,997)	151,760	151,760
Unallocated				
Depreciation	1,095,514	1,095,514	1,164,489	1,164,489
	<u>\$ 7,736,434</u>	<u>\$ 5,120,313</u>	<u>\$ 7,460,563</u>	<u>\$ 5,347,015</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Henniker
December 31, 2020

The total cost of all governmental activities this year was \$7,460,563; the total net cost was \$5,347,015. The primary financing for these activities of the Town was as follows:

Taxes

- The amount that was paid by taxpayers was, \$4,306,027 from property taxes, \$14,040 from land use taxes, \$15,536 from yield taxes, \$5,121 from excavation taxes, and \$10,170 from other taxes.
- Interest collected on delinquent taxes was \$138,632, while abatements charged against current year taxes were \$49,968.

Local Sources

- Business licenses amounted to \$2,340.
- Motor vehicle permit fees amounted to \$974,839.
- Building permits were \$19,041.
- Other licenses and fees amounted to \$8,977.

State of NH Sources

- Shared revenues were received in the amount of \$220,127.
- Meals and rooms distribution revenues were received in the amount of \$249,067.

Miscellaneous Sources

- Sales of municipal property amounted to \$12,158.
- Interest on investments was received in the amount of \$113,138.
- Other miscellaneous revenues amounted to \$890,664.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Henniker
December 31, 2020

ANALYSIS OF BALANCES AND TRANSACTIONS OF THE TOWN'S INDIVIDUAL FUNDS

General Fund

The general fund balance increased \$896,988 during the year from a surplus balance of \$2,792,090 as of December 31, 2019, to a \$3,689,078 fund balance at December 31, 2020. The December 31, 2020, fund balance consisted of \$22,454 of non-spendable prepaid expenses, \$2,214,406 committed for capital reserves and \$175,000 committed by town meeting, encumbrances in the amount of \$200,657 and an unassigned fund balance in the amount of \$1,075,561.

The restricted expendable capital and maintenance reserve funds (established by voters at an annual Town meeting as trust funds in accordance with statutory requirements) were combined with the general fund as a result of the implementation of GASB Statement No 54. In accordance with statutory requirements they are held in trust by the Trustees of Trust Funds and are only released for the restricted specific purposes of the individual funds.

Major Funds

Common Trust Funds

The common trust funds are classified as permanent funds and are reported as a major fund in the basic financial statements. The fund balance is comprised of \$5,171,006 of non-spendable endowments and \$201,616 of restricted earnings.

Nonmajor Governmental Funds

Library Fund

The library fund is classified as a special revenue fund and is aggregated in the category nonmajor governmental funds in the basic financial statements. The library fund balance was \$339,642 at December 31, 2020.

Water Fund

The water fund is classified as a special revenue fund and is aggregated in the category nonmajor governmental funds in the basic financial statements. The water fund is used to account for water services which are charged directly to the users. The water fund had a fund balance at December 31, 2020 of \$200,473.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Henniker
December 31, 2020

Sewer Fund

The sewer fund is classified as a special revenue fund and is aggregated in the category nonmajor governmental funds in the basic financial statements. The sewer fund is used to account for sewer services which are charged directly to the users. The sewer fund had a fund balance at December 31, 2020 of \$467,155.

Conservation Fund

The conservation fund is classified as a special revenue fund and is aggregated in the category nonmajor governmental funds in the basic financial statements. The conservation fund is used to account for conservation activities and is funded by land use change taxes (1/2 of current year collections). The conservation fund balance as of December 31, 2020, was \$105,393.

Recreation Revolving Fund

The recreation revolving fund is classified as a special revenue fund and is aggregated in the category nonmajor governmental funds in the basic financial statements. This fund was authorized at the 2009 annual town meeting to account for revenues generated from recreation programs. The recreation revolving fund balance was \$77,279 as of December 31, 2020.

Drug Forfeiture Fund

The drug forfeiture fund is classified as a special revenue fund and is aggregated in the category nonmajor governmental funds in the basic financial statements. The drug forfeiture fund balance was \$3,082 as of December 31, 2020.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Henniker
December 31, 2020

GENERAL FUND BUDGETARY HIGHLIGHTS

For the year ended December 31, 2020 the Town did not revise its statutory budgetary line items; rather, the Town's budgetary control was managed on an aggregate total budget-to-actual basis; total estimated revenues and appropriations versus actual revenues and expenditures.

Final Versus Original Budget Comparison

For the current year, \$31,055 in encumbrances were carried forward from 2019 and added to the 2020 voted appropriations.

Actual Versus Final Budget Comparison

The amounts of actual inflows (resources) and outflows (charges to appropriations) varied from the final budget for the following significant items:

- Actual inflows (resources) were more than the budgetary revenue estimates by a variance of \$981,791. A majority of the excess was from unassigned fund balance retained.
- Actual total outflows (expenditures or charges to appropriations) were less than the budgeted appropriation by \$875,514. A significant amount of the under expenditure was from capital outlays which were not completed during the current year.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Henniker
December 31, 2020

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2020, the Town had invested \$23,220,756 (\$63,368,319 at cost or estimated cost less accumulated depreciation of \$40,147,563) in a broad range of capital assets, including land and land improvements, infrastructure, buildings, vehicles and machinery and equipment as summarized in Exhibit C-1.

This amount represents a net decrease of 1.24% from the prior year.

Exhibit C-1 NET CAPITAL ASSETS AND MAJOR ADDITIONS

Net Capital Assets	Governmental Activities		
	2019	2020	Change
Land and improvements	\$ 5,834,738	\$ 5,848,460	0.24%
Construction in progress	49,445	77,787	57.32%
Infrastructure	39,733,493	40,319,124	1.47%
Buildings	9,509,569	9,570,954	0.65%
Vehicles	4,479,574	4,550,194	1.58%
Machinery and equipment	2,925,323	3,001,800	2.61%
Capital assets, at cost	62,532,142	63,368,319	1.34%
Accumulated Depreciation	(39,019,220)	(40,147,563)	-2.89%
Capital assets, net	\$ 23,512,922	\$ 23,220,756	-1.24%
Increase in Capital Assets, Net		\$ (292,166)	
Changes			
Land and improvements		\$ 45,022	
Construction in progress		28,342	
Infrastructure		585,631	
Buildings		61,385	
Vehicles		110,782	
Machinery and equipment		45,177	
Depreciation		(1,164,489)	
Gain (Loss) on disposals		(4,016)	
		\$ (292,166)	

More detailed information about the Town's capital assets is presented in the notes to the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Henniker
December 31, 2020

Debt

At December 31, 2020, the Town had \$6,386,918 of net long-term obligations (\$6,679,484 in total obligations less the current portion of \$292,566) as summarized in Exhibit C-2.

This amount represents a net increase of 12.57% over the prior year.

Exhibit C-2 LONG-TERM LIABILITIES

Long-Term Liabilities	Governmental Activities		
	2019	2020	Change
General obligation bonds	\$ 1,688,554	\$ 1,488,091	-11.87%
Capital leases	439,525	256,408	-41.66%
Compensated absences	191,413	169,467	-11.47%
Unamortized bond premiums	6,196	4,647	-25.00%
OPEB obligations	432,492	466,237	7.80%
Net pension liability	3,300,590	4,294,634	30.12%
	<u>6,058,770</u>	<u>6,679,484</u>	<u>10.24%</u>
Less current portion	(385,129)	(292,566)	24.03%
	<u>\$ 5,673,641</u>	<u>\$ 6,386,918</u>	<u>12.57%</u>
Change, Net		<u>\$ 713,277</u>	
Changes			
Principal payments on bonds		\$ (200,463)	
Principal payments on leases		(183,117)	
Change in compensated absences		(21,946)	
Change in unamortized bond premiums		(1,549)	
Change in OPEB obligations		33,745	
Change in net pension liability		994,044	
Change in current portion		92,563	
		<u>\$ 713,277</u>	

State law (RSA 195:6II) limits the amount of general obligation debt that the Town may incur at any one time to 1.75% of the locally assessed valuation as equalized by the Commissioner of the New Hampshire Department of Revenue Administration. As of December 31, 2020, the Town was below its general obligation legal debt limit of approximately \$8,256,470.

More detailed information about the Town's long-term liabilities is presented in the notes to the basic financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Town of Henniker
December 31, 2020

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Town management and the Selectmen considered many factors when submitting the 2021 budget to the Municipal Budget Committees and the Town voters.

Covid continues to have an impact on our personal lives as well as our operation. Unanticipated cost increases and limited availability continue to plague the budget. State shared revenues (Rooms/Meals & Highway Block) have been confirmed by the Governor that they will be funded at similar 2020 levels.

The most important item on the Warrant for 2021 is the Wastewater Treatment major upgrade of \$3.2 million dollars. The proposal has sewer users paying 70% of the cost while taxpayers will be responsible for 30%. This warrant article failed at the 2020 Town Meeting. There are several major processes that are showing their age at the Wastewater Plant and the funding is vital to be able to get the plant back to a more functional state. The only major State revenue uncertain at this point was the Wastewater upgrade project financing through the NH Dept of Environmental Services which had originally included some principal forgiveness. We remain optimistic that some form of this program will be available, but we are prepared to obtain financing through other municipal sources.

CONTACTING THE TOWN'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the Town's finances and to show the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Town Administrator.

BASIC FINANCIAL STATEMENTS

TOWN OF HENNIKER

Statement of Net Position December 31, 2020

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 8,029,617
Investments	5,657,383
Receivables, net	1,861,653
Due from other governments	9,772
Deposit	22,454
Other assets	102,784
Capital assets:	
Land, improvements, and construction in progress	1,244,797
Other capital assets, net of accumulated depreciation	21,975,959
Total assets	38,904,419
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	1,019,667
Deferred outflow of resources related to other post employment benefits	67,078
Total deferred outflows of resources	1,086,745
LIABILITIES	
Accounts payable	528,183
Accrued expenses	(3,715)
Due to other governments	4,490,632
Current portion long term debt	292,566
Other liabilities	31,236
Notes payable	1,287,628
Capital lease obligations	165,854
Compensated absences	169,467
Unamortized bond premium	3,098
OPEB Obligation	466,237
Net pension liability	4,294,634
Total liabilities	11,725,820
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to uncollected property taxes	382,603
Deferred inflows of resources related to pensions	156,433
Deferred inflows of resources related to other post employment benefits	482,880
Total deferred inflows of resources	1,021,916
NET POSITION	
Net investment in capital assets	21,476,257
Restricted for:	
Permanent funds	5,372,622
Other purposes	1,193,024
Unrestricted	(798,475)
Total net position	\$ 27,243,428

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF HENNIKER

Statement of Activities Year Ended December 31, 2020

Functions / Programs	Program Revenues			Net (Expense)
	Expenses	Charges for Services	Operating Grants and Contributions	Revenue and
				Changes in Net Position
			Primary Governmental Activities	
Governmental activities:				
General government	\$ 1,082,712	\$ 83,305	\$ -	\$ (999,407)
Public safety	2,103,032	483,183	23,249	(1,596,600)
Highways and streets	837,522	-	280,590	(556,932)
Sanitation	963,425	649,973	272	(313,180)
Water distribution and treatment	370,494	576,019	7,289	212,814
Health	71,756	-	-	(71,756)
Welfare	69,522	-	-	(69,522)
Culture and recreation	551,784	9,668	-	(542,116)
Conservation	2,166	-	-	(2,166)
Debt service	33,174	-	-	(33,174)
Capital outlay	58,727	-	-	(58,727)
Other financing uses	151,760	-	-	(151,760)
Depreciation (unallocated)	1,164,489	-	-	(1,164,489)
Total governmental activities	<u>7,460,563</u>	<u>1,802,148</u>	<u>311,400</u>	<u>(5,347,015)</u>
General revenues:				
Taxes				\$ 4,439,558
Charges, grants, and contributions not restricted to specific purposes:				
Licenses, permits and fees				1,005,197
State of NH sources				469,194
Miscellaneous revenues				<u>1,015,960</u>
Total general revenues				<u>6,929,909</u>
Change in net position				1,582,894
Net position - beginning				<u>25,660,534</u>
Net position - ending				<u>\$ 27,243,428</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF HENNIKER

Balance Sheet Governmental Funds December 31, 2020

	<u>General Fund</u>	<u>Common Trust Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Cash and cash equivalents	\$ 7,274,199	\$ -	\$ 755,418	\$ 8,029,617
Investments	-	5,372,622	284,761	5,657,383
Property taxes receivable	750,624	-	-	750,624
Timber taxes receivable	5,288	-	-	5,288
Tax liens receivable	391,815	-	-	391,815
Elderly and welfare liens	101,876	-	-	101,876
Allowance for doubtful accounts	(99,314)	-	(750)	(100,064)
Accounts receivable	624,632	-	86,216	710,848
Other receivables	-	-	1,266	1,266
Due from other governments	9,772	-	-	9,772
Due from other funds	9,508	-	75,621	85,129
Prepays	22,454	-	-	22,454
Other assets	102,784	-	-	102,784
Total assets	<u>\$ 9,193,638</u>	<u>\$ 5,372,622</u>	<u>\$ 1,202,532</u>	<u>\$ 15,768,792</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 528,183	\$ -	\$ -	\$ 528,183
Accrued expenses	(3,715)	-	-	(3,715)
Due to other governments	4,490,632	-	-	4,490,632
Due to other funds	75,621	-	9,508	85,129
Other liabilities	31,236	-	-	31,236
Total liabilities	<u>5,121,957</u>	<u>-</u>	<u>9,508</u>	<u>5,131,465</u>
Deferred Inflows of Resources:				
Unavailable revenue - property taxes	<u>382,603</u>	<u>-</u>	<u>-</u>	<u>382,603</u>
Total deferred inflows of resources	<u>382,603</u>	<u>-</u>	<u>-</u>	<u>382,603</u>
Fund balances:				
Nonspendable	22,454	5,171,006	-	5,193,460
Restricted	-	201,616	478,463	680,079
Committed	2,389,406	-	46,933	2,436,339
Assigned	200,657	-	667,628	868,285
Unassigned	1,076,561	-	-	1,076,561
Total fund balances	<u>3,689,078</u>	<u>5,372,622</u>	<u>1,193,024</u>	<u>10,254,724</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,193,638</u>	<u>\$ 5,372,622</u>	<u>\$ 1,202,532</u>	<u>\$ 15,768,792</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF HENNIKER

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position December 31, 2020

Total Fund Balances - Governmental Funds \$ 10,254,724

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in the governmental activities are not financial resources and therefore are not reported as assets in governmental funds.

Cost	\$ 63,368,319	
Less accumulated depreciation	<u>(40,147,563)</u>	23,220,756

Long-term liabilities, including bonds payable, are not due in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	(1,488,091)	
Capital lease obligations	(256,408)	
Compensated absences	(169,467)	
Unamortized bond premiums	(4,647)	
OPEB obligations	(466,237)	
Net pension liability	<u>(4,294,634)</u>	(6,679,484)

Deferred inflows and outflows of resources are not current financial sources and uses and therefore are not reported in the governmental funds.

Deferred inflows of resources	(639,313)	
Deferred outflows of resources	<u>1,086,745</u>	<u>447,432</u>

Total Net Position - Governmental Activities \$ 27,243,428

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF HENNIKER

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

	<u>General Fund</u>	<u>Common Trust Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues				
Taxes	\$ 4,432,538	\$ -	\$ 7,020	\$ 4,439,558
Licenses, permits and fees	1,005,197	-	-	1,005,197
State of NH sources	773,033	-	7,289	780,322
Charges for services	566,060	-	1,235,269	1,801,329
Miscellaneous revenues	47,150	536,481	320,282	903,913
Investment income	10,828	82,242	20,068	113,138
Total revenues	<u>6,834,806</u>	<u>618,723</u>	<u>1,589,928</u>	<u>9,043,457</u>
Expenditures				
General government	1,038,023	56,982	-	1,095,005
Public safety	2,196,490	-	-	2,196,490
Highways and streets	1,192,961	-	-	1,192,961
Sanitation	442,212	-	575,270	1,017,482
Water distribution and treatment	-	-	418,007	418,007
Health	71,756	-	-	71,756
Welfare	69,522	-	-	69,522
Culture and recreation	248,966	-	302,818	551,784
Conservation	2,166	-	-	2,166
Debt service:				
Principal	270,190	-	75,000	345,190
Interest	54,733	-	16,831	71,564
Capital outlay	<u>372,306</u>	<u>-</u>	<u>-</u>	<u>372,306</u>
Total expenditures	<u>5,959,325</u>	<u>56,982</u>	<u>1,387,926</u>	<u>7,404,233</u>
Excess (deficiency) of revenues over expenditures	875,481	561,741	202,002	1,639,224
Other Financing Sources (Uses)				
Transfers in	21,507	-	-	21,507
Transfers out	<u>-</u>	<u>(21,507)</u>	<u>-</u>	<u>(21,507)</u>
Net change in fund balances	896,988	540,234	202,002	1,639,224
Fund balances - beginning of year	<u>2,792,090</u>	<u>4,832,388</u>	<u>991,022</u>	<u>8,615,500</u>
Fund balances - end of year	<u>\$ 3,689,078</u>	<u>\$ 5,372,622</u>	<u>\$ 1,193,024</u>	<u>\$ 10,254,724</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF HENNIKER

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

Total Net Change in Fund Balances - Governmental Funds \$ 1,639,224

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays	\$ 876,339	
Depreciation expense	(1,164,489)	
Loss on disposal of assets	<u>(4,016)</u>	(292,166)

Repayment of bond and capital lease principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.

Principal on bonds		200,463
Principal on capital leases		183,117

In the statement of activities, certain operating expenses are measured by the amounts earned during the year. In governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

Compensated absences (increase) decrease		21,946
Unamortized bond premium (increase) decrease		1,549
OPEB obligation (increase) decrease		(33,745)
Net pension liability (increase) decrease		(994,044)

The change in deferred inflows and outflows related to the New Hampshire Retirement System Cost-Sharing Employer Defined Benefit Pension Plan and from Other Post Employment Benefits are reported against pension expense and other financing uses in the governmental activities.

Deferred inflows (increase) decrease	137,781	
Deferred outflows increase (decrease)	<u>718,769</u>	<u>856,550</u>

Change in Net Position of Governmental Activities \$ 1,582,894

The accompanying notes to the basic financial statements are an integral part of this statement.

TOWN OF HENNIKER

**Statement of Net Position
Fiduciary Funds
December 31, 2020**

	<u>Agency Fund</u>	
	<u>School District</u>	<u>Total</u>
	<u>Capital</u>	<u>Fiduciary</u>
	<u>Reserves</u>	<u>Funds</u>
Assets		
Cash and cash equivalents	\$ 435,783	\$ 435,783
Total assets	<u>\$ 435,783</u>	<u>\$ 435,783</u>
Liabilities		
Due to other governments	\$ 435,783	\$ 435,783
Total liabilities	<u>\$ 435,783</u>	<u>\$ 435,783</u>

The accompanying notes to the basic financial statements are an integral part of this statement.

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Henniker (the "Town" or "Government") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict or contradict GASB pronouncements. The significant accounting policies established in GAAP and used by the Town are discussed below.

A. THE REPORTING ENTITY

The Town is a local government governed by an elected Board of Selectmen. As required by GAAP, these financial statements are required to present the Town and its component units (if any).

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization; or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A primary government may also be financially accountable if an organization is fiscally dependent on the primary government. Fiscal independency is the ability to complete certain essential fiscal events without substantive approval by a primary government: (a) determine its budget without another government's having the authority to approve and modify that budget; (b) levy taxes or set rates or charges without approval by another government; and (c) issue bonded debt without approval by another government.

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Town's basic financial statements include both government-wide (reporting the Town as a whole) and fund financial statements (reporting the Town's major funds). Both government-wide and fund financial statements categorize primary activities as either governmental or business type. The Town does not have any business type primary activities.

In the government-wide Statement of Net Position, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The Town's net position is reported in three parts – net investment capital assets; restricted; and unrestricted. The Town first utilizes restricted resources to finance qualifying activities.

The government-wide Statement of Activities reports both the gross and net cost of each of the Town's functions / programs. The functions / programs are also supported by general revenues. The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants reflect capital-specific grants. The net costs (by function) are normally covered by general revenue. The Town does not allocate indirect costs.

This government-wide focus is more on the sustainability of the Town as an entity and the change in the Town's net position resulting from the current year's activities.

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

The financial transactions of the Town are reported in individual funds in the fund financial statements. Each fund is accounted for by a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues, and expenditures/expenses. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations, or other restrictions. Funds are classified into three major categories: governmental, proprietary and fiduciary.

Fund financial statements focus on major funds of the primary government in contrast to the governmental and business type (if any) activities reported in the government-wide financial statements. Major funds represent the government's most important funds and are determined based on minimum criteria set forth in GASBS No. 34 (numerical formula using total assets, liabilities, revenues, or expenditures/expenses of either fund category or activity combined). Major individual governmental funds are reported in separate columns in the fund financial statements with a combined column for all other nonmajor funds. The general fund is required to be reported as major fund. The following fund types are used by the Town:

1. **Governmental Funds** – The focus of governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the governmental funds of the Town:

General Fund is the general operating fund of the Town and is used to account for all resources except those required to be accounted for in another fund.

Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The town reports the following special revenue funds, Library Fund, Water Fund, Sewer Fund, Conservation Fund, Recreation Revolving Fund, and Drug Forfeiture Fund.

Capital Project Funds are used to account for financial resources to be used for the acquisition or construction of major capital facilities. The town did not report any capital projects for the current year.

Permanent Funds are used to account for trust arrangements in which the Town is the beneficiary of the earnings on the principal, including public-purpose funds previously classified as nonexpendable trust funds. The town reports Common Trust Funds as permanent funds.

2. **Fiduciary Funds** – The reporting focus of fiduciary funds is on net position and, for private purpose trust funds, changes in net position. Since by definition these assets are being held for the benefit of a third party and cannot be used to address activities or obligations of the Town, these funds are not incorporated into the government-wide statements. The following is a description of the fiduciary funds of the Town:

Private Purpose Trust Funds are used to report trust arrangements under which the principal and interest benefits individuals, private organizations, or other governments, but not the Town. The assets are essentially held in trust for someone outside the reporting entity. The town did not report any private purpose trust funds as of December 31, 2020.

Agency Funds are used to report assets held in a purely custodial capacity for individuals, organizations, or other governments outside of the reporting entity. The assets for these funds equal the liabilities and there is no operating activity to report. The town reported School District Capital Reserves as an agency fund as of December 31, 2020.

D. BASIS OF ACCOUNTING

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. Two different measurement focuses are used under the new financial reporting model, the flow of current financial resources and the flow of economic resources. The determination of when transactions are recognized is referred to as the basis of accounting. Like measurement focus, there are two different bases of accounting used; the accrual basis and the modified accrual basis.

Government-Wide Financial Statements

The government-wide financial statements use the flow of economic resources measurement focus and the accrual basis of accounting. Under this method, generally, all revenues, expenses, gains, losses, assets, and liabilities should be recognized when the economic exchange takes place. The government-wide financial statements report all of the assets, liabilities, revenues, expenses, and gains and losses of the entire government. These financial statements do not report fund information. Instead they focus on two specific types of activities performed by the government, "governmental activities" and, when applicable, "business type activities". Governmental and proprietary fund types are included in the governmental and, when applicable, business type activities reported in the government-wide financial statements and therefore utilize the measurement focus and basis of accounting applicable to these statements. Fiduciary funds are not reported in the government-wide financial statements.

Fund Financial Statements

Governmental fund financial statements use the current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues and asset are recognized when they susceptible to accrual; i.e., both measurable and available. Measurable means the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period, generally within sixty days after year-end. Expenditures and liabilities are recognized in the accounting period in which the fund liability is incurred and due, with certain modifications. Debt service and capital lease payments are recognized when the payment is due and compensated absences, claims and judgments, and special termination benefits are recognized to the extent that the liabilities are "normally expected to be liquidated with expendable available financial resources". Fiduciary fund financial statements use the economic resources measurement focus and the full accrual basis of accounting.

E. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY

Cash and Cash Equivalents and Investments

The Town has defined cash and cash equivalents to include cash on hand, demand deposits as well as short-term investments with a maturity date of within three months of the date acquired by the Town.

Investments are stated at fair value (quoted market price or the best available estimate).

Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to at market or near market rates, are treated as revenues and expenditures / expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Capital Assets

For government-wide financial statements, capital assets purchased or acquired, in accordance with the Town’s capitalization policy, are reported at historical cost or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the assets estimated useful lives.

ASSET	Capitalization Threshold	Estimated Useful Lives
Land	All	na
Land Improvements	All	20
Buildings and Improvements	All	25-50
Machinery, Equipment and Other	\$1,000	5-20
Vehicles	\$1,000	7-15
Infrastructure	\$10,000	20-50

For fund financial statements, capital assets purchased for governmental operations are accounted for as capital expenditures of the governmental fund at the time of purchase.

Compensated Absences

For government-wide financial statements the Town accrues accumulated unpaid vacation and sick leave and associated employee-related costs when earned (or estimated to be earned) by the employee. For governmental funds, only the current portion, (the amount estimated to be paid within one operating period) is accrued. The long-term portion represents a reconciling item between the fund and government-wide presentations.

Long-term Obligations

All long-term debt is reported as liabilities in the government-wide financial statements. Long-term debt generally consists of bonds payable, capital leases, accrued compensated absences, and special termination benefits. Governmental funds reported in the fund financial statements are concerned with current financial resources only and do not report long-term debt. Instead, debt proceeds are reported as other financing sources when received and payments of principal and interest are reported as expenditures when due.

The Town implemented Governmental Accounting Standards Board Statement No. 75 – *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, which requires governments to account for other post-employment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. In addition 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. For additional information, please refer to the system's website at www.nhrs.org.

Governmental Fund Equity and Fund Balance Policy

The Town implemented GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. The statement established new fund balance classifications and reporting requirements as follows:

Nonspendable – Are fund balances that cannot be spent because they are either; not in spendable form, such as inventories or prepaid amounts, or are legally or contractually required to be maintained intact, such as the principal of a permanent fund.

Restricted – Are amounts that can only be used for specific purposes because of enabling legislation or externally imposed constraints, such as grant requirements or laws or regulations.

Committed – Are amounts that can be used for specific purposes because of a formal action by the entities highest level of decision-making authority (Town Meeting). This would include contractual obligations if existing resources have been committed. Formal action (Board vote at a public meeting) to establish constraints should be taken before year-end, even if the amount might not be determined until the subsequent period.

Assigned – Are amounts intended to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. Intent can be stipulated by the governing body (Board of Selectmen), or by and official whom authority has been given (Town Administrator). Such assignments cannot exceed the available fund balance in any particular fund. This is the residual fund balance classification of all governmental funds except the general fund. Assigned fund balances should not be reported in the general fund if doing so causes the government to report a negative “unassigned” general fund balance.

Unassigned – Is the residual classification for the general fund. The general fund is the only governmental fund that can report a positive unassigned fund balance. Other governmental funds might have a negative unassigned fund balance as a result of overspending for specific purposes for which amounts had been restricted, committed, or assigned.

In instances where both restricted and unrestricted fund balances are available to fund expenditures, the restricted fund balances will be exhausted first, followed by the unrestricted classifications of, committed, assigned and unassigned fund balances.

The Town has not adopted a policy regarding the maintenance of a minimum fund balance.

Revenues

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the modified accrual basis, revenue is recorded when the exchange takes place and in the period in which the resources are measurable and available. Revenue resulting from non-exchange transactions, in which the Town receives value without directly giving equal value in return, generally includes grants and donations and is recognized when applicable grantor requirements, including purpose, eligibility, timing, and matching have been met.

General revenues on the Statement of Activities include property taxes and aid from various State of New Hampshire sources that are not program revenues (charges for services or related to operating or capital grant programs).

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures. Accordingly, actual results could differ from those estimates.

Pensions

The Town adopted Governmental Accounting Standards Board Statement No. 68 – *Accounting and Financial Reporting for Pensions*. As a result, the Town is required to report its proportionate share of the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, pension expense, and information about the fiduciary net position of the New Hampshire Retirement System, (NHRS) a Cost-Sharing Multiple Employer Defined Benefit Pension Plan.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Legal Debt Limit

Per state statute, the Town may not incur debt at any one time in excess of 1.75% of its locally assessed valuation as last equalized by the Commissioner of the New Hampshire Department of Revenue Administration.

For the year ended December 31, 2020, the Town had not exceeded its legal debt limit.

Risk Management

The Town is exposed to various risks of loss related to property loss, torts, errors and omissions, injuries to employees and natural disasters. There have no significant reductions in coverage from the prior year and settlements have not exceeded coverage in the past three years.

The Town participates in the Property/Liability and Workers' Compensation programs of the New Hampshire Public Risk Management Exchange (Primex). Primex is a pooled risk management program under RSA 5-B and RSA 281-A. The member participation agreement permits Primex to make additional assessments to members, should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution.

Claims, Judgments and Contingent Liabilities

Grant Programs

The Town may participate in state, federal and private funded programs, which are governed by various laws, regulations, contracts and agreements of the grantor. Costs charged to these programs are subject to audit or review by the grantor; therefore, to the extent that the Town has not complied with laws, regulations, contracts and agreements of the grantor, refunds of money for any disallowed claims, including amounts already collected, may constitute a contingent liability of the Town. As of December 31, 2020, the Town believes that there are no significant contingent liabilities relating to compliance with the laws, regulations, and contracts and agreements governing these programs; therefore, no provision has been recorded in the financial statements for such contingencies.

Litigation

The Town is subject to various claims, and sometimes lawsuits, which arise in the normal course of operations. Management of the Town believes that the outcome of these contingencies will not have a materially adverse effect on the financial statements and accordingly, no provision for loss has been recorded.

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits and investments as of December 31, 2020, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 13,687,000
Fiduciary funds:	
Cash and investments	<u>435,783</u>
	<u>\$ 14,122,783</u>

Deposits and investments as of December 31, 2020, consist of the following:

Cash on hand	\$ 420
Deposits with financial institutions	8,464,980
Investments	<u>5,657,383</u>
	<u>\$ 14,122,783</u>

Credit Risk – Deposits

The Town maintains deposits in accordance with RSA 41:29 which states that the treasurer shall deposit all such moneys in participation units in the public deposit investment pool established pursuant to RSA 383:22 or in solvent banks in the state, except that funds may be deposited in banks outside the state if such banks pledge and deliver to a third party custodial bank or the federal reserve bank collateral security for such deposits, United States government obligations, United States government agency obligations, or obligations of the state of New Hampshire in value at least equal to the amount of the deposit in each case. The amount of collected funds on deposit in any one bank shall not for more than 20 days exceed the sum of its paid-up capital and surplus.

Credit Risk - Investments

The Town maintains investments in accordance with RSA 41:29 which states that whenever the town treasurer has in custody an excess of funds which are not immediately needed for the purpose of expenditure, the town treasurer shall, with the approval of the selectmen, invest the same in obligations of the United States government, in the public deposit investment pool established pursuant to RSA 383:22, in savings bank deposits of banks incorporated under the laws of the state of New Hampshire or in certificates of deposits and repurchase agreements of banks incorporated under the laws of the state of New Hampshire or in banks recognized by the state treasurer. Any person who directly or indirectly receives any such funds or moneys for deposit or for investment in securities of any kind shall, prior to acceptance of such funds, make available at the time of such deposit or investment an option to have such funds secured by collateral having a value at least equal to the amount of such funds. Such collateral shall be segregated for the exclusive benefit of the town. Only securities defined by the bank commissioner as provided by rules adopted pursuant to RSA 386:57 shall be eligible to be pledged as collateral. At least yearly, the selectmen shall review and adopt an investment policy for the investment of public funds in conformance with the provisions of applicable statutes.

Investments made by the Town as of December 31, 2020, are summarized below:

	<u>Balance</u>	<u>Rating</u>	<u>Rating Agencies</u>
Cash equivalents	\$ 244,547	na	
Fixed income investments	2,105,456	na	
Equities	3,113,394	na	
Mutual funds	193,986	na	
	<u>\$ 5,657,383</u>		

Concentration of Credit Risk

The Town does not have a formal investment policy that limits the amount the Town may invest in any one issuer. Investments of 5% or more of the Town’s investments are as follows:

		<u>%</u>
Cash equivalents	\$ 244,547	4%
Fixed income investments	2,105,456	37%
Equities	3,113,394	55%
Mutual funds	193,986	3%
	<u>\$ 5,657,383</u>	<u>100%</u>

Interest Rate Risk

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.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a policy for custodial credit risk on deposits. The town’s bank balance as of December 31, 2020, was \$8,457,593. Of that amount, \$250,680 was covered by FDIC insurance and the balance was covered by a Tri-Party Collateral agreement between the town, Citizens Bank and the Bank of New York.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town’s \$5,657,383 in various investments, \$0 is held by the investment’s counterparty, not in the name of the Town.

NOTE 4 - INTERFUND BALANCES AND TRANSFERS

Balances

Individual interfund balances as of December 31, 2020, consisted of the following:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General fund	\$ 9,508	\$ 75,621
Nonmajor Funds:		
Water fund	1,571	-
Sewer fund	758	-
Conservation fund	64,815	-
Recreation revolving fund	8,477	8,030
Drug forfeiture fund	-	1,478
	<u>\$ 85,129</u>	<u>\$ 85,129</u>

All balances resulted from the time lag between dates that reimbursable expenditures occur, transactions are recorded in the accounting system, and payments or offsets between funds are completed.

Transfers

Individual interfund transfers for the year ended December 31, 2020, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General fund	\$ 21,507	\$ -
Common trust funds	-	21,507
	<u>\$ 21,507</u>	<u>\$ 21,507</u>

The Town makes routine transfers during the year between the general fund and other funds based upon statutory or budgetary authorization. Transfers to the general fund were from permanent trust funds set up for the benefit of the Town.

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

Intergovernmental Receivables

Intergovernmental receivables as of December 31, 2020, consisted of the following:

	<u>General Fund</u>
Local Governments	
Various Towns	\$ 9,772
State Governments	
New Hampshire	-
	<u>\$ 9,772</u>

All of the intergovernmental receivables relate to rescue services provided to neighboring towns.

Intergovernmental Payables

Intergovernmental payables as of December 31, 2020, consisted of the following:

	<u>General Fund</u>	<u>Agency Fund</u>
Local Governments		
John Stark Regional School District	\$ 1,164,946	\$ -
Henniker School District	3,325,686	435,783
	<u>\$ 4,490,632</u>	<u>\$ 435,783</u>

NOTE 6 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities (at cost)				
Capital assets not being depreciated:				
Land and improvements	\$ 1,167,010	\$ -	\$ -	\$ 1,167,010
Construction in progress	49,445	28,342	-	77,787
	<u>1,216,455</u>	<u>28,342</u>	<u>-</u>	<u>1,244,797</u>
Capital assets being depreciated:				
Land improvements	4,636,428	45,022	-	4,681,450
Infrastructure	39,733,493	585,631	-	40,319,124
Buildings	9,509,569	61,385	-	9,570,954
Vehicles	4,479,574	110,782	40,162	4,550,194
Machinery and equipment	2,956,623	45,177	-	3,001,800
	<u>61,315,687</u>	<u>847,997</u>	<u>40,162</u>	<u>62,123,522</u>
Less accumulated depreciation:				
Land improvements	3,737,877	25,425	-	3,763,302
Infrastructure	26,641,979	604,764	-	27,246,743
Buildings	4,074,848	247,244	-	4,322,092
Vehicles	2,206,577	250,080	36,146	2,420,511
Machinery and equipment	2,357,939	36,976	-	2,394,915
Accumulated depreciation	<u>39,019,220</u>	<u>1,164,489</u>	<u>36,146</u>	<u>40,147,563</u>
Capital assets being depreciated, net	<u>22,296,467</u>	<u>(316,492)</u>	<u>4,016</u>	<u>21,975,959</u>
Governmental activities capital assets, Net of accumulated depreciation	<u>\$ 23,512,922</u>	<u>\$ (288,150)</u>	<u>\$ 4,016</u>	<u>\$ 23,220,756</u>

Depreciation expense for the year ended December 31, 2020 (Unallocated)

\$ 1,164,489

NOTE 7 - LONG-TERM LIABILITIES

The Town can issue general obligation debt instruments to provide funds for the acquisition and construction of major capital equipment, infrastructure and other facilities. General obligation debt instruments are "direct government obligations" and consequently are a pledge of the full faith and credit of the Town. The Town may be obligated under certain leases accounted for as capital leases. The leased assets are accounted for as capital assets and capital lease liabilities in the government-wide financial statements. In the governmental fund financial statements, the lease is recorded as an expenditure and other financing source in the year executed; annual lease payments are recorded as expenditures when paid. Other long-term obligations include compensated absences and unamortized bond premiums, and other postemployment benefit obligations.

A summary of long-term liabilities outstanding as of December 31, 2020, is as follows:

	General Obligation Bonds	Capital Leases	Compen- sated Absences	Unamortized Bond Premiums	OPEB Obligations	Net Pension Liability	Total
Beginning balance	\$ 1,688,554	\$ 439,525	\$ 191,413	\$ 6,196	\$ 432,492	\$ 3,300,590	\$ 6,058,770
Additions	-	-	-	-	76,967	994,044	1,071,011
Reductions	(200,463)	(183,117)	(21,946)	(1,549)	(43,222)	-	(450,297)
Ending balance	<u>1,488,091</u>	<u>256,408</u>	<u>169,467</u>	<u>4,647</u>	<u>466,237</u>	<u>4,294,634</u>	<u>6,679,484</u>
Current portion	200,463	90,554	-	1,549	-	-	292,566
Noncurrent portion	<u>1,287,628</u>	<u>165,854</u>	<u>169,467</u>	<u>3,098</u>	<u>466,237</u>	<u>4,294,634</u>	<u>6,386,918</u>
	<u>\$ 1,488,091</u>	<u>\$ 256,408</u>	<u>\$ 169,467</u>	<u>\$ 4,647</u>	<u>\$ 466,237</u>	<u>\$ 4,294,634</u>	<u>\$ 6,679,484</u>

TOWN OF HENNIKER

Notes to Basic Financial Statements December 31, 2020

Long-term liabilities outstanding as of December 31, 2020 consisted of the following:

	<u>Issue Year</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Amount of Issue</u>	<u>Amount Outstanding 12/31/20</u>
<u>General Obligation Bonds</u>					
Water storage tanks	2001	Var	2021	575,000	\$ 25,000
Sewer project	2005	Var	2024	611,580	120,000
Water storage tank renovation	2012	2.44%	2027	350,000	163,333
Water Bond	2014	3.63%	2029	400,000	239,999
Sewer System Bond	2014	3.63%	2029	223,000	133,799
Bridge Replacement Bond	2015	2.79%	2030	1,208,940	805,960
					<u>1,488,091</u>
<u>Capital Lease Obligations</u>					
Grader Lease	2015		2024	343,900	142,975
Dump Truck Lease	2015		2022	369,254	113,433
					<u>256,408</u>
<u>Other Long-Term Obligations</u>					
Compensated absences					169,467
Unamortized bond premium					4,647
OPEB obligations					466,237
Net pension liability					4,294,634
					<u>4,934,985</u>
					<u>\$ 6,679,484</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 200,463	\$ 23,975	\$ 224,438
2022	175,463	19,375	194,838
2023	175,463	16,011	191,474
2024	175,463	12,630	188,093
2025	145,463	9,236	154,699
2025 to 2030	615,776	16,765	632,541
	<u>\$ 1,488,091</u>	<u>\$ 97,992</u>	<u>\$ 1,586,083</u>

Obligations under capital lease are as follows:

<u>Year Ended December 31,</u>	
2021	\$ 96,857
2022	96,856
2023	37,567
2024	37,568
Total minimum lease payments	268,848
Less amount representing imputed interest	(12,440)
Present value of minimum lease payments	<u>\$ 256,408</u>

NOTE 8 - PROPERTY TAXES

Property Tax Calendar

The Town is responsible for assessing, collecting and distributing property taxes in accordance with state legislation. The property tax year is from April 1 - March 31. Unpaid property taxes may be liened (following statutory notification and procedural guidelines) as soon as 30-days after the final bill (or installment) is due. Unpaid taxes are assessed interest at a rate of 8% up to the "lien date," at which time the rate increases to 12%. Two years from the execution of the real estate tax lien the Tax Collector may execute to the lienholder a "deed" of the property subject to the real estate tax lien and not redeemed (paid).

As indicated below, property taxes levied by the Town include amounts for the County of Merrimack, the John Stark Regional School District, the Henniker School District and the State of New Hampshire (state education taxes). The Town must remit the amount levied to these entities, regardless of the amount collected.

Allocation of Property Tax Assessment

Total Property Tax Commitment	<u>\$ 14,673,499</u>	
Property Tax Allocation:		Rate Per <u>\$1,000</u>
Town Portion	\$ 4,687,161	\$ 9.94
Less: War Service Credit	(39,400)	
Local School Portion	7,904,609	16.75
State School Portion	911,023	1.99
County Portion	<u>1,210,106</u>	<u>2.56</u>
Total Allocation	<u>\$ 14,673,499</u>	<u>\$ 31.24</u>

Deferred Property Taxes

The Town reported deferred property tax revenues in the governmental funds in the amount of \$382,603 for property taxes that were not collected within 60 days of year end in accordance with generally accepted governmental accounting standards.

NOTE 9 - PENSION PLAN

The Town participates in the New Hampshire Retirement System (the "System"), a cost-sharing multiple-employer defined benefit pension plan and trust established in 1967 by RSA 100-A:2 administered by a Board of Trustees. The plan is a contributory plan that provides service, disability, death and vested retirement benefits to members and their beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State Legislature. The System issues a publicly available financial report that includes financial statements and required supplementary information for the System. That report may be obtained by writing to New Hampshire Retirement System, 54 Regional Drive, Concord, New Hampshire 03301.

The System is funded by contributions from both the employees and the Town. Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature while the employer contribution rates are determined by the System Board of Trustees based on an actuarial valuation. Plan members are required to contribute 7.0%, for Group I employees, and 11.80%, for Group II Fire personnel and 11.55% for Group II Police personnel, of their covered salary and the town is required to contribute at an actuarially determined rate. The Town's contribution rates as of December 31, 2020, were 11.17% for Group I employees, 28.43% for Group II Policemen, and 30.09% for Group II Firemen, as applicable. The Town's contributions to the System for the years ending December 31, 2020, 2019, and 2018 were \$352,360, \$341,076, and \$317,885, respectively.

NOTE 10 - DEFERRED COMPENSATION PLAN

The Town offers to its full-time employees a deferred compensation plan in accordance with an agreement entered into on April 30, 1985. The plan is administered by The Copeland Companies, under section 457 of the Internal Revenue Code and RSA Chapter 101-B of the statutes of the State of New Hampshire. Participation in the plan is optional to eligible employees.

Contributions to the plan are made through employee withholdings under the terms identified in each employee's Participant Agreement.

Participants shall elect a payment option, from those available under the Investment Contract, at least 30 days before the payments of benefits is to commence. If a timely election is not made, then the benefits will be paid as a Life Annuity with payments guaranteed for 10 years.

NOTE 11 – PROPORTIONATE SHARE OF NET PENSION LIABILITY

The Town implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions*. This Statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense information about the fiduciary net position of the New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan (NHRS) and additions to/deductions from NHRS’s fiduciary net position have been determined on the same basis as they are reported by NHRS.

General Information about the Pension Plan

Plan description. The New Hampshire Retirement System (NHRS) is a public employee retirement system which administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan). For additional NHRS information, please refer to the fiscal 2020 Comprehensive Annual Financial Report, which can be found on the NHRS website at www.nhrs.org.

Benefit formulas and eligibility requirements for the Pension Plan are set by state law (RSA 100-A). The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II.

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 1/1/12. The maximum retirement allowance for Group II members vested by January 1, 2012 (45 years of age with 20 years of service OR age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service. For Group II members not vested by January 1, 2012, the benefit is calculated the same way, but the multiplier used in the calculation will change depending on age and years of creditable service, as follows:

Years of creditable service as of January 1, 2012	Minimum Age	Minimum Service	Benefit Multiplier
At least 3 but less than 10 years	46	21	2.40%
At least 6 but less than 8 years	47	22	2.30%
At least 4 but less than 6 years	48	23	2.20%
Less than 4 years	49	24	2.10%

Contributions. By Statute, the Board of Trustees of the System is responsible for the certification of employer contribution rates, which are determined through the preparation of biennial valuation of the System’s assets by the System’s actuary using the entry age normal cost method.

The employer contributions used in the schedules of employer allocations is a component of total employer contributions presented in the System’s financial statements for the corresponding period.

Actuarial assumptions. The collective total pension liability was based on the following actuarial assumptions:

Inflation	2.0%	
Salary increases	5.6%	average, including inflation
Wage inflation	2.8%	(2.25% for Teachers)
Investment rate of return	6.8%	Net of pension plan investment expense, including inflation

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

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

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%.
- Reduced wage inflation from 3.25% to 2.75%.
- Reduced price inflation from 2.5% to 2.0%.
- Updated demographic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables).

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.

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 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 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 benefits payments to determine the collective total pension liability.

TOWN OF HENNIKER

Notes to Basic Financial Statements December 31, 2020

Sensitivity of the Town's 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 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>1% Decrease</u>	<u>Current single rate assumption</u>	<u>1% Increase to</u>
	5.75%	6.75%	7.75%
Employer's proportionate share of the net pension liability:			
December 31, 2020	\$ 5,559,803	\$ 4,294,634	\$ 3,260,823

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

As of December 31, 2020, the Town reported a liability of \$4,294,634 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating members, actuarially determined. As of December 31, 2020, the Town's proportion was 0.06714403 percent.

For the year ended December 31, 2020, the Town recognized pension expense of \$608,842. As of December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total Excluding Employer Contributions</u>
Differences between expected and actual experience	\$ 115,976	\$ 46,112	\$ 69,864
Changes of assumptions	424,824	-	424,824
Net differences between projected and actual earnings on pension plan investments	265,628	-	265,628
Changes in proportion and differences between Employer contributions and proportionate share of contributions	37,244	110,321	(73,077)
Employer contributions subsequent to the measurement date	175,995	-	NA
Total	<u>\$ 1,019,667</u>	<u>\$ 156,433</u>	<u>\$ 687,239</u>

Deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

For the Year Ending December 31,	Deferred Outflows/(Inflows)
2021	\$ 132,661
2022	180,378
2023	194,347
2024	<u>179,853</u>
Total	<u>\$ 687,239</u>

NOTE 12 – ACCOUNTING AND FINANCIAL REPORTING FOR POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS - GASB 75**A. TOWN OPEB PLAN****Plan description**

GASB Statement 75, *Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions*, requires governments to account for other post-employment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their post-employment benefits, rather than when they use their post-employment benefit. The post-employment benefit liability is recognized on the Statement of Net Position over time.

GASB No. 75 requires that employers recognize the expected claims of the retiree population less the expected contributions by those retirees. This is not necessarily the same determination as the expected cash payments of the employer for retiree health benefits. The difference is that many post-employment health plans (including the Town's program) charge the same premium rates for all participants in a non-Medicare plan regardless of their age. This single premium rate is called a blended premium rate because it blends the expected claims of both active and retired participants. Retirees are generally older than the average participant in a non-Medicare plan, which means they are expected to generate higher claims than the average participant of the plan; therefore, they are receiving a subsidy even if they pay 100% of the blended premium rate because they would be paying less in premiums than their claims costs. This subsidy is referred to as the "Implicit Rate Subsidy".

Another way of considering the Implicit Rate Subsidy is to assume the retirees were removed from a blended plan and, instead, separately rated. In this scenario, the premium rate for the remaining active population would be lower; therefore, the retirees' premium rate is being subsidized by the premiums for active employees. Since the employer generally pays a portion of the premiums for the active employees, this subsidy creates a liability for the employer.

By comparison, the cash costs are the actual dollars paid by the employer to cover a portion or all of the retirees' premium rates. This is sometimes referred to as the "Explicit Rate Subsidy". This is the benefit that is explicitly stated by the Town that will be paid on behalf of retirees.

GASB 75 reports are required to value both the Implicit Rate Subsidy and the Explicit Rate Subsidy. This report values the Implicit Rate Subsidy only.

Benefits provided to retirees follow New Hampshire Statute 100-A:50 (Medical Insurance Coverage). Every political subdivision of the state that provides for its active employees any group medical insurance or group health care plan, including but not limited to hospitalization, hospital medical care, surgical care, dental care, or other group medical or health care plan, shall permit its employees upon retirement to continue to participate in the same medical insurance or health care group or plan as its active employees. Retired employees shall be deemed to be part of the same group as active employees of the same employer for purposes of determining medical insurance premiums. Coverage for spouses, other family members and beneficiaries of retirees shall also be permitted to the extent that coverage is provided for the spouses, other family members and beneficiaries of active employees.

Each political subdivision, as employer, may elect to pay the full cost of group medical insurance or health care coverage for its retirees or may require each retiree to pay any part or all of the cost of the retiree's participation. Such election may be made separately for retirees from different job classifications. Since the same premiums are charged to active employees and retirees, and the Town is unable to obtain age-adjusted premium information for the retirees, GASB 75 requires the Town to calculate age-adjusted premiums for the purpose of projecting future benefits for retirees. This report values the implicit rate subsidy, which is the amount by which the age-adjusted premium exceeds the actual premium.

The implicit OPEB benefits valued in this plan end when the retiree and or the covered spouse reach age 65.

Employees covered by benefit terms

As of January 1, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	0
Inactive employees entitled to but not yet receiving benefit payments	0
Active Employees	<u>27</u>
Total Participants covered by OPEB Plan	<u>27</u>

Total OPEB Liability

The Town's total OPEB liability of \$191,488 was measured as of December 31, 2020 and was determined by an actuarial valuation as of January 1, 2020.

Actuarial assumptions and other inputs

The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	2.12%
Healthcare Cost Trend Rates:	
Current Trend	0.90%
Second Year Trend	9.50%
Decrement	0.50%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2030
Salary Increases	2.00%

The discount rate was based on the index provided by *Bond Buyer 20-Bond General Obligation Index* based on the 20 year AA municipal bond rate as of December 31, 2020.

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2019 (Base Year 2006).

Significant Changes from the Previous Actuarial Valuation

- Decreasing the discount rate from 4.10% to 2.12%.
- Trend rates were advanced, and the current year trend rate was adjusted to reflect actual experience.
- Mortality assumption changed from SOA RP-2014 *Total Dataset Mortality with Scale MP-2017* to *SOA RP-2014 Total Dataset Mortality with Scale MP-2019 (Base Year 2006)*.
- Morbidity factors were adjusted to reflect rates that better reflect expected underlying costs.
- The tables used for retirement and termination assumptions were updated to reflect the most recent tables from the New Hampshire Retirement System Comprehensive Annual Financial Report dated June 30, 2019.

Changes in the Total OPEB Liability

	Fiscal Year Ending December 31, 2020	
OPEB Liability Beginning of Year	\$	133,051
Changes for the year:		
Service Cost		19,253
Plan Change		-
Interest		3,601
Assumption Changes		54,113
Differences Between Actual and Expected Experience		(16,039)
Benefit payments		(2,491)
OPEB Liability End of Year	\$	191,488

Sensitivity of the total OPEB liability to changes in the discount rate

The following presents the total OPEB Liability, calculated using the discount rate of 2.12%, as well as what the total OPEB Liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	Discount Rate		
	1% Decrease	Baseline Rate	1% Increase
Total OPEB Liability	\$ 209,896	\$ 191,488	\$ 174,113

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rate

The following presents the total OPEB Liability, calculated using the trend rate of 0.90%, as well as what the total OPEB Liability would be if it were calculated using a trend rate that is one percentage point lower or one percentage point higher than the current rate:

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline Rate	1% Increase
Total OPEB Liability	\$ 164,924	\$ 191,488	\$ 222,988

TOWN OF HENNIKER

Notes to Basic Financial Statements December 31, 2020

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

For the year ended December 31, 2020, the Town recognized an OPEB expense of \$(93,193). As of December 31, 2020, the Town reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Balance December 31, 2019	\$ -	\$ 586,313	\$ (586,313)
Experience changes	-	16,033	(16,033)
Assumption changes	54,113	-	54,113
Amortization	<u>(7,234)</u>	<u>(123,281)</u>	<u>116,047</u>
Balance December 31, 2020	<u>\$ 46,879</u>	<u>\$ 479,065</u>	<u>\$ (432,186)</u>

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

<u>For the Year Ending December 31,</u>	Deferred Outflows	Deferred Inflows	Net
2021	\$ 7,234	\$ 123,281	\$ (116,047)
2022	7,234	123,281	(116,047)
2023	7,234	123,281	(116,047)
2024	7,234	103,903	(96,669)
2025	7,234	2,144	5,090
2026 to 2027	<u>10,709</u>	<u>3,175</u>	<u>7,534</u>
Total	<u>\$ 46,879</u>	<u>\$ 479,065</u>	<u>\$ (432,186)</u>

B. NEW HAMPSHIRE RETIREMENT SYSTEM MEDICAL SUBSIDY OPEB PLAN

Plan description

In addition to the OPEB plan discussed in A, 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. For additional information, please refer to the system's website at www.nhrs.org.

Benefits

Benefit amounts and eligibility requirements are set by state law (RSA 100-A:52, RSA 100-A:52-a, and RSA 100-A52-b) and members are designated in statute by type. The four membership types are Group I State Employees, Group I Political Subdivision Employees, Group I Teachers, and Group II Police and Firefighters. The Plan provides a medical insurance subsidy to qualified retired members. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the Medical Subsidy amount, then only the health insurance premium amount will be paid. If the health insurance premium amount exceeds the Medical Subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. The OPEB plan is closed to new entrants.

Participating employers are required by GASB No. 75 to recognize *their proportionate share* of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense of the Plan. The employer allocation is the ratio of each employer's contribution to the OPEB Plan's total employer contributions during the measurement period.

Contributions

Funding for the Medical Subsidy comes from employer contributions. Employer contribution rates are set by the NHRS pursuant to RSA 100-A:16, and the biennial actuarial valuation.

Proportionate Share of NHRS Net OPEB Liability

The Town's proportionate share of the NHRS Medical Subsidy Net OPEB Liability as of the measurement date was \$274,749. The Town's proportion of the net OPEB liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating members, actuarially determined. As of December 31, 2020, the Town's proportion was 0.06276983 percent.

Actuarial assumptions and other inputs

The collective total OPEB liability was based on the following actuarial assumptions:

Inflation	2.00%
Salary Increases	5.60% average, including inflation
Wage Inflation	2.75%
Investment rate of return	6.75% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions

TOWN OF HENNIKER

Notes to Basic Financial Statements December 31, 2020

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 following assumptions were changes in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%.
- Reduced wage inflation from 3.25% to 2.75%.
- Reduced price inflation from 2.5% to 2.0%.
- Updated demographic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables).

Long-Term Rates of Return

The long-term expected rate of return on OPEB 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.

Discount Rate

The discount rate used to measure the collective OPEB liability was 6.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and 100-A:53. Based on this assumption, the OPEB 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 OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

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

For the year ended December 31, 2020, the Town recognized an OPEB expense of \$6,274. As of December 31, 2020, the Town reported deferred inflows and outflows of resources related to the Net OPEB Liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total exclusive of Employer Contribution
Differences between expected and actual experience	\$ -	\$ 796	\$ (796)
Changes of assumptions	1,767	-	1,767
Net differences between projected and actual earnings on OPEB plan investments	1,028	-	1,028
Changes in proportion and differences between Employer contributions and proportionate share of contributions	-	3,019	(3,019)
Employer contributions subsequent to the measurement date	17,404	-	NA
Total	\$ 20,199	\$ 3,815	\$ (1,020)

TOWN OF HENNIKER

Notes to Basic Financial Statements December 31, 2020

Deferred outflows of resources related to OPEB benefits resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB liabilities will be recognized in pension expense as follows:

For the Year Ending December 31,	Deferred Outflows/(Inflows)
2021	\$ (535)
2022	(155)
2023	(185)
2024	(145)
Total	<u>\$ (1,020)</u>

Sensitivity of the NHRS Medical Subsidy Net OPEB liability to changes in the discount rate

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

	Discount Rate		
	1% Decrease	Baseline Rate	1% Increase
	Total OPEB Liability	\$ 298,349	\$ 274,749

C. CONSOLIDATED TOWN and NHRS OPEB LIABILITIES

The following consolidates the Town's total OPEB liability and related deferred outflows/inflows of resources, and the Town's proportionate share of the NHRS Medical Subsidy Net OPEB Liability and related deferred outflows/inflows of resources as of December 31, 2020.

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Total OPEB Expense
District OPEB Plan	\$ 191,488	\$ 46,879	\$ 479,065	\$ (93,193)
NHRS Medical Subsidy OPEB Plan	274,749	20,199	3,815	6,274
Total	<u>\$ 466,237</u>	<u>\$ 67,078</u>	<u>\$ 482,880</u>	<u>\$ (86,919)</u>

NOTE 13 - FUND BALANCE COMPONENTS

The town’s governmental fund balance components under GASB 54 are comprised of the following:

	General Fund	Common Trust Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid expenditures	\$ 22,454	\$ -	-	\$ 22,454
Endowment principal - Common Trust Funds	-	5,171,006	-	5,171,006
Restricted:				
Library Fund	-	-	292,709	292,709
Conservation Fund	-	-	105,393	105,393
Recreation Revolving Fund	-	-	77,279	77,279
Drug Forfeiture Fund	-	-	3,082	3,082
Common Trust Funds	-	201,616	-	201,616
Committed:				
Capital reserves	2,214,406	-	-	2,214,406
Committed at town meeting	175,000	-	-	175,000
Assigned:				
Library Fund	-	-	46,933	46,933
Water Fund	-	-	200,473	200,473
Sewer Fund	-	-	467,155	467,155
Encumbrances	200,657	-	-	200,657
Unassigned:	<u>1,076,561</u>	<u>-</u>	<u>-</u>	<u>1,076,561</u>
	<u>\$ 3,689,078</u>	<u>\$ 5,372,622</u>	<u>\$ 1,193,024</u>	<u>\$ 10,254,724</u>

REQUIRED SUPPLEMENTARY INFORMATION

TOWN OF HENNIKER

Budgetary Comparison Schedule - General Fund Year Ended December 31, 2020

	Original Budget	Final Budget	Actual	Variance
Budgetary Fund Balance - Beginning	\$ 250,000	\$ 281,055	\$ 1,402,915	\$ 1,121,860
Resources (inflows):				
Taxes				
Property taxes	14,673,499	14,673,499	14,709,614	36,115
Taxes assessed for schools	(8,815,632)	(8,815,632)	(8,815,632)	-
Taxes assessed for county	(1,210,106)	(1,210,106)	(1,210,106)	-
Land use change taxes	7,020	7,020	7,020	-
Timber taxes	14,322	14,322	20,290	5,968
Payments in lieu of taxes	5,148	5,148	10,170	5,022
Interest and penalties on delinquent taxes	87,000	87,000	138,632	51,632
Excavation tax	5,100	5,100	5,121	21
Provision for overlay and abatements	(47,194)	(47,194)	(49,968)	(2,774)
Licenses, permits and fees				
Business licenses and permits	1,000	1,000	2,340	1,340
Motor vehicle permit fees	950,000	950,000	974,839	24,839
Building permits	16,000	16,000	19,041	3,041
Other licenses, permits and fees	3,500	3,500	8,977	5,477
State of NH sources				
Shared revenue block grant	57,119	57,119	220,127	163,008
Meals and rental tax distribution	249,067	249,067	249,067	-
Highway block grant	173,376	173,376	173,356	(20)
State and federal forest land reimbursement	104	104	8,924	8,820
Flood control reimbursement	98,310	98,310	98,310	-
Other state revenue	51,800	51,800	23,249	(28,551)
Charges for services				
Income from departments	450,000	450,000	514,898	64,898
Other charges	-	-	51,162	51,162
Miscellaneous revenues				
Sale of municipal property	2,600	2,600	12,158	9,558
Interest on investments	5,000	5,000	4,554	(446)
Rents of property	-	-	1,091	1,091
Insurance dividends and reimbursements	-	-	31,719	31,719
Other miscellaneous sources	16,951	16,951	2,182	(14,769)
Interfund operating transfers in				
Capital reserve transfers recorded	329,300	329,300	208,543	(120,757)
Transfers from common trusts	33,000	33,000	21,507	(11,493)
Other financing sources				
Proceeds from long-term notes and bonds	425,000	425,000	-	(425,000)
Actual inflows (excluding fund balance)	<u>7,581,284</u>	<u>7,581,284</u>	<u>7,441,185</u>	<u>(140,099)</u>
Amounts available for appropriation	<u>\$ 7,831,284</u>	<u>\$ 7,862,339</u>	<u>\$ 8,844,100</u>	<u>\$ 981,761</u>

TOWN OF HENNIKER

Budgetary Comparison Schedule - General Fund Year Ended December 31, 2020

	Original			
	Budget	Final Budget	Actual	Variance
Charges to appropriations (outflows):				
General government				
Executive	\$ 27,223	\$ 27,223	\$ 21,506	\$ 5,717
Election and registration	110,252	110,252	108,058	2,194
Financial administration	663,923	663,923	691,400	(27,477)
Revaluation of property	54,300	54,300	4,550	49,750
Legal expense	20,000	20,000	33,119	(13,119)
Planning and zoning	54,200	54,200	24,775	29,425
Cemeteries	13,950	13,950	13,550	400
Insurance not otherwise allocated	143,445	143,445	136,908	6,537
Advertising and regional association	4,157	4,157	4,157	-
Public safety				
Police	1,380,904	1,380,904	1,419,861	(38,957)
Fire	773,789	773,789	773,472	317
Building inspection	6,883	6,883	1,865	5,018
Emergency management	1,292	1,292	1,292	-
Highways and streets				
Administration	776,676	776,676	606,407	170,269
Highways and streets	629,700	629,700	571,322	58,378
Street lighting	20,000	20,000	15,232	4,768
Sanitation				
Solid waste disposal	452,912	452,912	442,212	10,700
Health				
Pest control	9,408	9,408	3,173	6,235
Health agencies and hospitals	79,000	79,000	68,583	10,417
Welfare				
Direct assistance	80,000	80,000	69,522	10,478
Culture and recreation				
Parks and recreation	47,340	47,340	14,063	33,277
Library	229,379	229,379	227,985	1,394
Patriotic purposes	2,000	2,000	770	1,230
Other culture and recreation	-	-	6,148	(6,148)
Conservation				
Administration	3,500	3,500	2,166	1,334
Debt service				
Principal on long term bonds and notes	270,190	270,190	270,190	-
Interest on long term bonds and notes	43,984	43,984	43,555	429
Interest on tax anticipation notes	13,500	13,500	11,178	2,322
Capital outlay				
Land and improvements	-	-	110,671	(110,671)
Machinery, vehicles, and equipment	293,500	293,500	64,363	229,137
Buildings	-	31,055	49,592	(18,537)
Improvements other than buildings	598,376	598,376	147,680	450,696
Interfund operating transfers out				
Transfer to Capital reserves	1,027,501	1,027,501	1,027,500	1
Total charges to appropriations	<u>7,831,284</u>	<u>7,862,339</u>	<u>6,986,825</u>	<u>875,514</u>
Budgetary Fund Balance - Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,857,275</u>	<u>\$ 1,857,275</u>

TOWN OF HENNIKER

Schedule of Changes in Total OPEB Liability Year Ended December 31, 2020

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Total OPEB Liability Beginning of Year	\$ 116,355	\$ 120,853	\$ 133,051
Changes for the Year:			
Service Cost	9,445	8,852	19,253
Plan Change	-	-	-
Interest	3,977	4,923	3,601
Assumption Changes	(7,409)	-	54,113
Difference Between Actual and Expected Experience	-	-	(16,039)
Benefit payments	<u>(1,515)</u>	<u>(1,577)</u>	<u>(2,491)</u>
Total OPEB Liability End of Year	<u>\$ 120,853</u>	<u>\$ 133,051</u>	<u>\$ 191,488</u>
Town's covered-employee payroll	\$ 1,408,629	\$ 1,436,802	\$ 1,568,420
Total OPEB Liability as a percentage of covered payroll	8.58%	9.26%	12.21%

See the accompanying notes to the required supplementary information.

TOWN OF HENNIKER

Schedules of Proportionate Share and Contributions of the NHRS Net OPEB Liability Year Ended December 31, 2020

Schedule of Proportionate Share of Net OPEB Liability

New Hampshire Retirement System Medical Subsidy

Fiscal Year	Proportion of the Net OPEB Liability	Proportionate Share of the Net OPEB Liability	Covered Payroll	Net OPEB as a Percentage of Covered Payroll (AAL)	Plan Fiduciary
					Net Position as a Percentage of the Net OPEB Liability
December 31, 2020	0.06276983%	\$ 274,749	\$ 1,954,187	14%	7.74%
December 31, 2019	0.06830142%	\$ 299,441	\$ 1,807,213	17%	7.75%
December 31, 2018	0.06487694%	\$ 297,036	\$ 1,755,372	17%	7.53%

Schedule of Medical Subsidy Contributions

New Hampshire Retirement System Medical Subsidy

Fiscal Year	Contractually Required Contribution	Contributions Relative to Contractually Required Contribution		Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered
		Contractually Required Contribution	Contribution Deficiency (Excess)			Employee Payroll
December 31, 2020	\$ 30,751	\$ 29,136	\$ (1,615)	\$ 1,954,187	1.57%	
December 31, 2019	\$ 31,170	\$ 31,170	\$ -	\$ 1,807,213	1.72%	
December 31, 2018	\$ 28,697	\$ 28,697	\$ -	\$ 1,755,372	1.63%	

Schedules are required to show information for prior 10 years. Additional years will be reported as they become available

See the accompanying notes to the required supplementary information.

TOWN OF HENNIKER

Schedules of Proportionate Share and Contributions of the Net Pension Liability Year Ended December 31, 2020

Schedule of Proportionate Share of Net Pension Liability

New Hampshire Retirement System Net Pension Liability

Fiscal Year	Proportion of the Net Pension Liability	Proportionate Share of the Net Pension Liability	Covered Payroll	Net Pension Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability
December 31, 2020	0.06714403%	\$ 4,294,634	\$ 1,954,187	219.77%	58.72%
December 31, 2019	0.06859573%	\$ 3,300,590	\$ 1,807,213	182.63%	65.59%
December 31, 2018	0.06733392%	\$ 3,242,265	\$ 1,755,372	184.71%	64.73%
December 31, 2017	0.07061900%	\$ 3,473,037	\$ 1,770,429	196.17%	62.66%
December 31, 2016	0.07026353%	\$ 3,736,330	\$ 1,699,864	219.80%	58.30%
December 31, 2015	0.06970601%	\$ 2,761,422	\$ 1,633,986	169.00%	65.47%
December 31, 2014	0.07146604%	\$ 2,682,539	\$ 1,634,635	164.11%	66.32%

Schedule of Pension Contributions

New Hampshire Retirement System Pension Contributions

Fiscal Year	Contractually Required Contribution	Contributions Relative to Contractually Required Contribution	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
December 31, 2020	\$ 300,839	\$ 298,282	\$ (2,557)	\$ 1,954,187	15.39%
December 31, 2019	\$ 298,516	\$ 298,516	\$ -	\$ 1,807,213	16.52%
December 31, 2018	\$ 284,592	\$ 284,592	\$ -	\$ 1,755,372	16.21%
December 31, 2017	\$ 258,771	\$ 258,708	\$ (63)	\$ 1,770,429	14.62%
December 31, 2016	\$ 251,599	\$ 251,599	\$ -	\$ 1,699,864	14.80%
December 31, 2015	\$ 234,423	\$ 233,855	\$ (568)	\$ 1,633,986	14.35%
December 31, 2014	\$ 231,852	\$ 231,852	\$ -	\$ 1,634,635	14.18%

See the accompanying notes to the required supplementary information.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

NOTE 1 - BUDGETARY INFORMATION

A. Original Budget

Governmental budgetary appropriations and estimated revenues are accounted for on a fund basis in accordance with state statutes, administrative rules and local laws, policies or procedures. The budgetary process results in a formally adopted Town budget by voters at the annual Town meeting. Subsequent regulatory reviews by departments of the State of New Hampshire are made of the budgetary process (warrant articles, required results of votes, etc.), adopted budget and the estimated revenues of the Town. After final allocation of state aid programs to the Town and approval of final estimated revenues, a balanced Town budget is achieved in accordance with State statute (the "original" budget). The original budget is the first complete, legally appropriated budget adjusted for appropriate changes occurring *before* the beginning of the year.

B. Budgetary Changes, Transfers, Encumbrances and Continuing Appropriations

Budgetary Changes

In accordance with RSA 31:95-b, appropriations may be made by the Board of Selectmen by applying for, accepting and expending unanticipated funds (money from a state, federal or other governmental unit or a private source) which become available during the year without further action by the Town. Such money may be used only for legal purposes for which a Town may appropriate money; shall not require the expenditure of other Town funds except those funds lawfully appropriated for the same purpose; and shall be exempt from the provisions of RSA 32 relative to the limitation of expenditure of Town moneys. The statute requires the Board of Selectmen to hold a public hearing on the action to be taken and to comply with various public notice requirements.

Transfers

The Board of Selectmen may authorize budgetary transfers between allowable appropriations (programs, functions or categories); however, total expenditures may not exceed the total allowable appropriations budgeted (which consists of the original budget plus appropriations allowable under RSA 31:95-b, encumbrances carried forward from the prior year and continuing appropriations, if any).

Encumbrances and Continuing Appropriations

All annual appropriations lapse at year-end unless encumbered. Encumbrances for goods or purchased services are documented by purchase orders or contracts. Encumbrances are not expenditures and are reported as an assignment of fund balances in governmental funds and are carried forward to supplement appropriations of the subsequent year.

Certain appropriations that are not "annual appropriations" do not lapse at year-end. These continuing appropriations include those from special or unanticipated revenues, capital projects and specific items that are not required to have been completed at year-end. Continuing appropriations are reported as a reservation of fund balances in governmental funds and are carried forward to supplement appropriations of the subsequent year.

C. Final Budget

The final budget consists of the original budget adjusted for appropriate legal changes applicable to the year, including those occurring during and after the end of the year.

NOTE 2 - EXPLANATION OF BUDGETARY TO GAAP DIFFERENCES

Basis and Timing Differences

The basis of accounting or the timing of transactions used or applied by the funds in the basic financial statements (fund financial statements) differs from the basis of accounting or timing of transactions used or applied by the funds for budgetary purposes. The following is an explanation of the differences between budgetary inflows and outflows and GAAP revenues and expenditures.

<u>Budgetary Fund</u>	<u>General Fund</u>
<u>Financial Statement Major Fund</u>	<u>General Fund</u>
Sources / Inflows of Resources:	
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule	\$ 8,844,100
Differences - Budget to GAAP:	
Budgetary inflows that are not revenues for financial reporting purposes	
Beginning fund (balance) deficit	(1,402,915)
Capital reserve transfers	(208,543)
Transfers from other funds	(21,507)
Uncollected property tax revenues	(377,849)
Uncollected yield tax revenues	(4,754)
Revenues for financial reporting purposes that are not budgetary inflows	
Earnings on capital reserve investments	<u>6,274</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 6,834,806</u>
Uses / Outflows of Resources:	
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 6,986,825
Differences - Budget to GAAP:	
Budgetary outflows that are not expenditures for financial reporting purposes	
Capital reserve transfers	<u>(1,027,500)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - governmental funds	<u>\$ 5,959,325</u>

NOTE 3 –REQUIRED OPEB SUPPLEMENTARY INFORMATION

The town is required to prepare its financial statements in accordance with accounting principles generally accepted in the United States. Accordingly, the town is required to disclose its obligations for post-employment benefits. In addition to pensions, these benefits include health insurance paid on behalf of retirees (Town Plan) and medical subsidies to retirees paid by the NHRS (NHRS Medical Subsidy Plan). Guidance for the disclosure required is contained in Governmental Accounting Standards Board Statement No. 75 - "*Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*" (GASB No. 75). No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75 to pay related benefits.

Town OPEB Plan – The Town plan as described in the notes to the financial statements is required to report as required supplementary information a ***Schedule of Changes in Total OPEB Liability***. This information is required to be disclosed for the 10 most recent years. Subsequent year's information will be added as it becomes available.

NHRS Medical Subsidy OPEB Plan – The NHRS medical subsidy plan as described in the notes to financial statements is required to report as required supplementary information the following:

- ***Schedule of Proportionate Share of Net OPEB Liability***
- ***Schedule of Medical Subsidy OPEB Contributions***

The information presented in the *Schedule of the Proportionate Share of Net OPEB Liability* is determined as of the measurement date of the Plan.

The information presented in the *Schedule of Medical Subsidy OPEB Contributions* is determined as of the Plan's most recent fiscal year-end.

This information is required to be disclosed for the 10 most recent years. Subsequent year's information will be added as it becomes available.

NOTE 4 – GASB 68 REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES

In accordance with GASB Statement No. 68 – *Accounting and Financial Reporting for Pensions*, the town is required to disclose historical data for each of the prior ten years within the following schedules:

- ***Schedule of the Proportionate Share of Net Pension Liability***
- ***Schedule of Pension Contributions***

The information presented in the *Schedule of the Proportionate Share of Net Pension Liability* is determined as of the measurement date of the Plan.

The information presented in the *Schedule of Contributions* is determined as of the Plan's most recent fiscal year-end.

Subsequent year's information will be added as it becomes available until the ten-year requirement is met.

OTHER SUPPLEMENTARY INFORMATION

TOWN OF HENNIKER

Combining Balance Sheet - Nonmajor Governmental Funds December 31, 2020

	Library Fund	Water Fund	Sewer Fund	Conservation Fund	Recreation Revolving Fund	Drug Forfeiture Fund	Total Nonmajor Governmental Funds
Assets							
Cash and cash equivalents	\$ 54,881	\$ 164,855	\$ 413,712	\$ 40,578	\$ 76,832	\$ 4,560	\$ 755,418
Investments	284,761	-	-	-	-	-	284,761
Allowance for doubtful accounts	-	(750)	-	-	-	-	(750)
Accounts receivable	-	33,859	52,357	-	-	-	86,216
Other receivables	-	938	328	-	-	-	1,266
Due from other funds	-	1,571	758	64,815	8,477	-	75,621
Total assets	<u>\$ 339,642</u>	<u>\$ 200,473</u>	<u>\$ 467,155</u>	<u>\$ 105,393</u>	<u>\$ 85,309</u>	<u>\$ 4,560</u>	<u>\$ 1,202,532</u>
Liabilities and Fund Balances							
Liabilities:							
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-	8,030	1,478	9,508
Total liabilities	-	-	-	-	8,030	1,478	9,508
Fund balances:							
Nonspendable	-	-	-	-	-	-	-
Restricted	292,709	-	-	105,393	77,279	3,082	478,463
Committed	46,933	-	-	-	-	-	46,933
Assigned	-	200,473	467,155	-	-	-	667,628
Unassigned	-	-	-	-	-	-	-
Total fund balances	<u>339,642</u>	<u>200,473</u>	<u>467,155</u>	<u>105,393</u>	<u>77,279</u>	<u>3,082</u>	<u>1,193,024</u>
Total liabilities and fund balances	<u>\$ 339,642</u>	<u>\$ 200,473</u>	<u>\$ 467,155</u>	<u>\$ 105,393</u>	<u>\$ 85,309</u>	<u>\$ 4,560</u>	<u>\$ 1,202,532</u>

TOWN OF HENNIKER

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

	Library Fund	Water Fund	Sewer Fund	Conservation Fund	Recreation Revolving Fund	Drug Forfeiture Fund	Total Nonmajor Governmental Funds
Revenues							
Taxes	\$ -	\$ -	\$ -	\$ 7,020	\$ -	\$ -	\$ 7,020
State of NH sources	-	-	7,289	-	-	-	7,289
Charges for services	-	592,539	633,062	-	9,668	-	1,235,269
Miscellaneous revenues	339,889	224	228	4	5	-	340,350
Total revenues and other financing sources	<u>339,889</u>	<u>592,763</u>	<u>640,579</u>	<u>7,024</u>	<u>9,673</u>	<u>-</u>	<u>1,589,928</u>
Expenditures							
Sanitation	-	-	575,270	-	-	-	575,270
Water distribution and treatment	-	418,007	-	-	-	-	418,007
Culture and recreation	302,168	-	-	-	650	-	302,818
Debt service	-	91,831	-	-	-	-	91,831
Total expenditures and other financing sources	<u>302,168</u>	<u>509,838</u>	<u>575,270</u>	<u>-</u>	<u>650</u>	<u>-</u>	<u>1,387,926</u>
Excess revenue and other financing sources over (under) expenditures and other financing uses	37,721	82,925	65,309	7,024	9,023	-	202,002
Fund balances - beginning of year	<u>301,921</u>	<u>117,548</u>	<u>401,846</u>	<u>98,369</u>	<u>68,256</u>	<u>3,082</u>	<u>991,022</u>
Fund balances - end of year	<u>\$ 339,642</u>	<u>\$ 200,473</u>	<u>\$ 467,155</u>	<u>\$ 105,393</u>	<u>\$ 77,279</u>	<u>\$ 3,082</u>	<u>\$ 1,193,024</u>