

TOWN OF HOPKINTON, NEW HAMPSHIRE

FINANCIAL REPORT

AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019

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Roberts & Greene, PLLC

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Hopkinton
330 Main Street
Hopkinton, New Hampshire 03229

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

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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Basis for Adverse Opinion on the Governmental Activities

As discussed in Note I.B.3. to the financial statements, the Town has not determined its total liability or annual cost for postemployment benefits other than pensions (OPEB) in governmental activities following the standards as required by GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Although the Town has recognized an OPEB liability, the portion related to the implicit rate subsidy was calculated using an old standard. Calculating the implicit rate portion using the new standard would affect the liabilities, net position, and expenses of the governmental activities. The amount by which this departure would affect the liabilities, net position and expenses of the governmental activities has not been determined.

Adverse Opinion

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United

States of America, the respective financial position of the governmental activities of the Town of Hopkinton as of December 31, 2019 and the respective changes in financial position thereof for the year then ended.

Unmodified Opinions

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund, and the aggregate remaining fund information of the Town of Hopkinton, as of December 31, 2019, and the respective changes in financial position thereof, and budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the pension and OPEB related schedules on pages 33 - 36 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. 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.

The Town of Hopkinton has not presented a management's discussion and analysis, which accounting principles generally accepted in the United States of America have determined is necessary to supplement, but is not required to be part of, the basic financial statements.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Hopkinton's basic financial statements. The combining nonmajor and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. They 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 financial statements or to the 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 and individual fund schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

June 23, 2020

Roberts & Heavey, PLLC

BASIC FINANCIAL STATEMENTS

EXHIBIT 1
TOWN OF HOPKINTON, NEW HAMPSHIRE
Statement of Net Position
December 31, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 10,508,534
Investments	2,334,092
Intergovernmental receivable	31,623
Other receivables, net of allowances for uncollectibles	1,501,887
Prepaid items	33,442
Tax deeded property held for resale	36,213
Capital assets, not being depreciated:	
Land	8,410,469
Intangible assets	323,900
Capital assets, net of accumulated depreciation:	
Land improvements	254,592
Buildings and building improvements	5,809,223
Machinery, vehicles and equipment	1,509,958
Infrastructure	4,522,983
Total assets	35,276,916
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amounts related to pensions	502,452
Deferred amounts related to OPEB	21,831
Total deferred outflows of resources	524,283
LIABILITIES	
Accounts payable	181,427
Accrued payroll and benefits	100,706
Accrued interest payable	59,008
Intergovernmental payable	8,245,601
Performance and escrow deposits	100
Noncurrent obligations:	
Due within one year:	
Bonds and notes payable	594,960
Compensated absences payable	4,927
Accrued landfill postclosure care costs	30,000
Due in more than one year:	
Bonds and notes payable	3,699,461
Compensated absences payable	278,762
Accrued landfill postclosure care costs	210,000
Net pension liability	4,414,537
Total OPEB liability	602,327
Total liabilities	18,421,816
DEFERRED INFLOWS OF RESOURCES	
Unearned revenue	10,956
Deferred amounts related to pensions	243,853
Deferred amounts related to OPEB	1,173
Total deferred inflows of resources	255,982
NET POSITION	
Net investment in capital assets	16,752,054
Restricted for:	
Perpetual care:	
Nonexpendable	549,852
Expendable	308,015
Other purposes	731,895
Unrestricted	(1,218,415)
Total net position	\$ 17,123,401

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

EXHIBIT 2
TOWN OF HOPKINTON, NEW HAMPSHIRE
Statement of Activities
For The Year Ended December 31, 2019

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
General government	\$ 1,823,350	\$ 5,076	\$ 21,441	\$ -	\$ (1,796,833)
Public safety	2,236,086	518,600	4,202	-	(1,713,284)
Highways and streets	2,389,551	-	-	196,494	(2,193,057)
Sanitation	792,870	456,407	625	-	(335,838)
Health	12,359	-	-	-	(12,359)
Welfare	139,037	-	22,596	-	(116,441)
Culture and recreation	679,199	83,549	13,929	-	(581,721)
Conservation	44,749	-	366	-	(44,383)
Economic development	17,903	-	-	-	(17,903)
Interest on long-term debt	136,860	-	-	-	(136,860)
Capital outlay	570,290	-	-	-	(570,290)
Total primary government	<u>\$ 8,842,254</u>	<u>\$ 1,063,632</u>	<u>\$ 63,159</u>	<u>\$ 196,494</u>	<u>(7,518,969)</u>
General revenues:					
Property taxes					4,693,235
Other taxes					402,376
Licenses and permits					1,391,171
Grants and contributions not restricted to specific programs					572,410
Miscellaneous					431,227
Total general revenues					<u>7,490,419</u>
Change in net position					(28,550)
Net position, beginning, as restated, see Note III.D.3.					17,151,951
Net position, ending					<u>\$ 17,123,401</u>

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

EXHIBIT 3
TOWN OF HOPKINTON, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2019

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 9,572,090	\$ 936,444	\$ 10,508,534
Investments	-	2,334,092	2,334,092
Receivables, net of allowances for uncollectibles:			
Taxes	1,003,316	-	1,003,316
Accounts	178,897	74,839	253,736
Intergovernmental	31,623	-	31,623
Interfund receivable	129,870	27,219	157,089
Prepaid items	33,442	-	33,442
Tax dedeed property held for resale	36,213	-	36,213
Total assets	<u>\$ 10,985,451</u>	<u>\$ 3,372,594</u>	<u>\$ 14,358,045</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 172,526	\$ 8,901	\$ 181,427
Accrued salaries and benefits	100,706	-	100,706
Intergovernmental payable	8,245,601	-	8,245,601
Interfund payable	25,494	131,595	157,089
Total liabilities	<u>8,544,327</u>	<u>140,596</u>	<u>8,684,923</u>
Deferred inflows of resources:			
Deferred revenue	<u>608,866</u>	<u>46,608</u>	<u>655,474</u>
Fund balances:			
Nonspendable	69,654	776,310	845,964
Restricted	777	812,677	813,454
Committed	21,731	1,596,403	1,618,134
Unassigned	1,740,096	-	1,740,096
Total fund balances	<u>1,832,258</u>	<u>3,185,390</u>	<u>5,017,648</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 10,985,451</u>	<u>\$ 3,372,594</u>	<u>\$ 14,358,045</u>

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

EXHIBIT 4
TOWN OF HOPKINTON, NEW HAMPSHIRE
Reconciliation of Total Fund Balances of Governmental Funds to the Statement of Net Position
December 31, 2019

Total fund balances of governmental funds (Exhibit 3)	\$	5,017,648
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		
Cost	\$	66,767,131
Less accumulated depreciation		<u>(45,936,006)</u>
		20,831,125
Interfund receivables and payables between governmental funds are eliminated on the statement of net position.		
Receivables	\$	(157,089)
Payables		<u>157,089</u>
		-
Revenues that are not available to pay for current period expenditures are deferred in the funds.		
Unavailable tax revenue	\$	471,948
Unavailable ambulance revenue		22,455
Unavailable payment in lieu of taxes		103,507
Unavailable sewer charges		46,608
Unavailable elderly and welfare liens		<u>244,835</u>
		889,353
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(59,008)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds and notes outstanding	\$	4,294,421
Compensated absences payable		283,689
Accrued landfill postclosure care costs		240,000
Net pension liability		4,414,537
Total OPEB liability		<u>602,327</u>
		(9,834,974)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources related to pensions	\$	502,452
Deferred outflows of resources related to OPEB		21,831
Deferred inflows of resources related to pensions		(243,853)
Deferred inflows of resources related to OPEB		<u>(1,173)</u>
		279,257
Total net position of governmental activities (Exhibit 1)	\$	<u><u>17,123,401</u></u>

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

EXHIBIT 5
TOWN OF HOPKINTON, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For The Year Ended December 31, 2019

	General	Other Governmental Funds	Total Governmental Funds
Revenues:			
Taxes	\$ 5,052,586	\$ 21,276	\$ 5,073,862
Licenses, permits and fees	1,343,151	-	1,343,151
Intergovernmental	770,547	-	770,547
Charges for services	801,554	378,200	1,179,754
Miscellaneous	252,278	242,640	494,918
Total revenues	<u>8,220,116</u>	<u>642,116</u>	<u>8,862,232</u>
Expenditures:			
Current:			
General government	1,684,304	87,013	1,771,317
Public safety	1,711,805	137,037	1,848,842
Highways and streets	1,551,354	-	1,551,354
Sanitation	619,817	148,893	768,710
Health	12,359	-	12,359
Welfare	117,105	18,268	135,373
Culture and recreation	506,478	98,779	605,257
Conservation	-	44,749	44,749
Economic development	17,903	-	17,903
Debt service:			
Principal	586,916	-	586,916
Interest	146,159	-	146,159
Capital outlay	432,235	690,406	1,122,641
Total expenditures	<u>7,386,435</u>	<u>1,225,145</u>	<u>8,611,580</u>
Excess (deficiency) of revenues over (under) expenditures	<u>833,681</u>	<u>(583,029)</u>	<u>250,652</u>
Other financing sources (uses):			
Transfers in	92,385	548,725	641,110
Transfers out	(547,000)	(94,110)	(641,110)
Total other financing sources and uses	<u>(454,615)</u>	<u>454,615</u>	<u>-</u>
Net change in fund balances	379,066	(128,414)	250,652
Fund balances, beginning, as restated, see Note III.D.3.	1,453,192	3,313,804	4,766,996
Fund balances, ending	<u>\$ 1,832,258</u>	<u>\$ 3,185,390</u>	<u>\$ 5,017,648</u>

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

EXHIBIT 6
TOWN OF HOPKINTON, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
For The Year Ended December 31, 2019

Net change in fund balances of governmental funds (Exhibit 5)		\$ 250,652
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay expense in the current period.		
Capitalized capital outlay	\$ 837,736	
Depreciation expense	<u>(1,475,538)</u>	(637,802)
The disposal of capital assets decreased net position.		(5,250)
Transfers in and out between governmental funds are eliminated on the operating statement.		
Transfers in	\$ (641,110)	
Transfers out	<u>641,110</u>	-
Revenue in the statement of activities that does not provide current financial resources is not reported as revenue in governmental funds.		
Change in unavailable tax revenue	\$ (25,087)	
Change in unavailable ambulance revenue	(58,504)	
Change in unavailable landfill charges	(15,102)	
Change in unavailable payment in lieu of taxes	38,235	
Change in unavailable sewer charges	4,779	
Change in unavailable elderly and welfare liens	<u>8,601</u>	(47,078)
The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but has no effect on net position.		586,915
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 9,300	
Increase in compensated absences payable	(14,901)	
Decrease in accrued landfill postclosure care costs	21,000	
Increase in net pension liability	(95,972)	
Increase in total OPEB liability and related deferrals	<u>(33,989)</u>	(114,562)
Governmental funds report pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense.		
Town pension contributions	\$ 442,472	
Cost of benefits earned, net of employee contributions	<u>(503,897)</u>	(61,425)
Change in net position of governmental activities (Exhibit 2)		<u>\$ (28,550)</u>

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

EXHIBIT 7
TOWN OF HOPKINTON, NEW HAMPSHIRE
General Fund
Statement of Revenues, Expenditures and Changes in Unassigned Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
For The Year Ended December 31, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
REVENUES				
Taxes	\$ 4,738,817	\$ 4,738,817	\$ 5,027,499	\$ 288,682
Licenses, permits and fees	1,224,950	1,224,950	1,343,151	118,201
Intergovernmental	728,478	728,478	770,547	42,069
Charges for services	804,000	804,000	801,554	(2,446)
Miscellaneous	71,901	71,901	85,232	13,331
Total revenues	<u>7,568,146</u>	<u>7,568,146</u>	<u>8,027,983</u>	<u>459,837</u>
EXPENDITURES				
Current:				
General government	1,773,561	1,707,450	1,684,304	23,146
Public safety	1,798,139	1,832,168	1,711,805	120,363
Highways and streets	1,595,838	1,612,470	1,551,354	61,116
Sanitation	724,480	728,878	619,817	109,061
Health	21,509	21,509	12,359	9,150
Welfare	115,625	117,053	117,105	(52)
Culture and recreation	502,866	512,490	506,478	6,012
Conservation	1	1	-	1
Economic development	14,000	14,000	12,903	1,097
Debt service:				
Principal	584,973	584,973	586,916	(1,943)
Interest on long-term debt	148,154	148,154	146,159	1,995
Interest on tax anticipation note	2,000	2,000	-	2,000
Total expenditures	<u>7,281,146</u>	<u>7,281,146</u>	<u>6,949,200</u>	<u>331,946</u>
Excess of revenues over expenditures	<u>287,000</u>	<u>287,000</u>	<u>1,078,783</u>	<u>791,783</u>
Other financing sources (uses):				
Transfers in	125,000	125,000	92,385	(32,615)
Transfers out	(547,000)	(547,000)	(547,000)	-
Total other financing sources and uses	<u>(422,000)</u>	<u>(422,000)</u>	<u>(454,615)</u>	<u>(32,615)</u>
Net change in fund balance	<u>\$ (135,000)</u>	<u>\$ (135,000)</u>	624,168	<u>\$ 759,168</u>
Decrease in nonspendable fund balance			(16,041)	
Increase in assigned fund balance			267,644	
Unassigned fund balance, beginning, as restated			1,601,462	
Unassigned fund balance, ending			<u>\$ 2,477,233</u>	

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

EXHIBIT 8
TOWN OF HOPKINTON, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2019

	Private Purpose Trust	Agency
Assets:		
Cash and cash equivalents	\$ 32,766	\$ 1,263,664
Investments	743,979	-
Total assets	<u>776,745</u>	<u>1,263,664</u>
Liabilities:		
Held for other governments	<u>-</u>	<u>1,263,664</u>
Net position:		
Held in trust for specific purposes	<u>\$ 776,745</u>	<u>\$ -</u>

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

EXHIBIT 9
TOWN OF HOPKINTON, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For The Year Ended December 31, 2019

	Private Purpose Trust
Additions:	
New funds	\$ 3,295
Investment earnings:	
Interest and dividends	15,371
Net change in fair value of investments	89,440
Total additions	108,106
Deductions:	
Trust distributions	20,182
Change in net position	87,924
Net position, beginning	688,821
Net position, ending	\$ 776,745

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

NOTES TO THE BASIC FINANCIAL STATEMENTS

TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

I. Summary of Significant Accounting Principles

I.A. Introduction

The accounting and reporting framework and the more significant accounting principles and practices of the Town of Hopkinton (the Town) are discussed in subsequent sections of this note. The remainder of the notes is organized to provide explanations, including required disclosures, of the Town's financial activities for the year ended December 31, 2019.

I.B. Financial Reporting Entity – Basis of Presentation

I.B.1. Entity Defined

The Town of Hopkinton is a municipal corporation governed by a board of selectmen consisting of five members elected by the voters. These financial statements present the financial position and activity of the primary government. Component units are organizations for which the primary government is financially accountable, or other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the financial reporting entity's financial statements to be misleading or incomplete. Based on the stated criteria, the Town's financial statements do not include any component units.

I.B.2. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These statements report financial information for the Town as a whole, excluding fiduciary activities. Individual funds are not displayed.

The statement of activities reports the direct expenses of a given function offset by program revenues directly connected with the functional program. Direct expenses are those that are clearly identifiable with a specific function. A function is an assembly of similar activities and may include portions of a fund or summarize more than one fund to capture the expenses and program revenues associated with a distinct functional activity. Program revenues include: (1) charges for services which report fees, fines and forfeitures, and other charges for the Town's services; (2) operating grants and contributions, which finance annual operating activities including restricted investment income; and (3) capital grants and contributions, which finance the acquisition, construction, or rehabilitation of capital assets. These revenues are subject to externally imposed restrictions to these program uses. Taxes and revenue from other sources not properly included with program revenues are reported as general revenues.

TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

Fund Financial Statements

Fund financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual, governmental fund is reported in separate columns in the basic fund financial statements with composite columns for nonmajor funds.

I.B.3. *Measurement Focus, Basis of Accounting and Financial Statement Presentation*

The financial statements of the Town are prepared in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP). The Town's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements, with the exception that it has not yet implemented GASB Statement No. 75, *Accounting and Reporting for Postemployment Benefits Other Than Pensions*, and has calculated the implicit rate subsidy portion of the OPEB liability using an older standard.

The government-wide statements report using the economic resources measurement focus and the accrual basis of accounting generally including the reclassification or elimination of internal activity (between or within funds). Reimbursements are reported as reductions to expenses. Fiduciary fund financial statements also report using this same basis of accounting, although internal activity is not eliminated in these statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Property tax revenues are recognized in the year for which they are levied, while grants are recognized when grantor eligibility requirements are met.

The agency funds are custodial in nature and do not measure results of operations.

Governmental fund financial statements report using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The Town considers revenues to be available if they are collected within sixty days of the end of the fiscal year. However, on the budgetary basis, tax revenue is not so deferred in accordance with the instructions of the State of New Hampshire Department of Revenue Administration. Expenditures are recorded when the related fund liability is incurred, except for general obligation debt principal and interest, which are reported as expenditures in the year due.

Major revenues susceptible to accrual are property taxes, intergovernmental amounts and investment income. In general, other revenues are recognized when cash is received.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as needed. Restricted assets and

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liabilities payable from restricted assets current in nature are reported with current assets and current liabilities in the financial statements.

I.B.4. *Fund Types and Major Funds*

Governmental Funds

The Town reports the following major governmental fund:

General Fund – Reports as the primary fund of the Town. This fund is used to account for all financial resources not reported in other funds.

The Town also reports thirteen nonmajor governmental funds.

Fiduciary Funds

The Town reports the following fiduciary funds:

Private Purpose Trust Funds – Account for financial resources of the Town used only for the benefit of other entities or individuals.

Agency Funds – Account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others. The Town’s agency funds are used to account for the various capital reserve accounts held by the trustees of trust funds on behalf of the local school district and village precincts.

I.C. *Assets, Liabilities, and Net Position or Fund Equity*

I.C.1. *Cash and Investments*

The laws of the State of New Hampshire require that the Town’s treasurer have custody of all monies belonging to the Town, other than those held by the trustees of trust funds and library trustees, and pay out the same only upon orders of the Board of Selectmen. The treasurer shall deposit all monies in participation units in the public deposit investment pool established pursuant to N.H. RSA 383:22 or in solvent banks in the state. Funds may be deposited in banks outside the state if such banks pledge or deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or 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.

Investments are stated at fair value based on quoted market prices.

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New Hampshire law authorizes the Town to invest in obligations of the United States government; the public deposit investment pool established pursuant to RSA 383:22; savings bank deposits; prime bankers' acceptances; or certificates of deposit 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 monies 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.

I.C.2. Capital Assets and Depreciation

Generally, the Town's property, plant and equipment with useful lives of more than two years are stated at historical cost and reported in the government-wide financial statements. Donated assets are stated at acquisition value on the date donated. The Town generally capitalizes assets with cost of \$5,000 or more as purchase and construction outlays occur. The costs of normal maintenance and repairs that do not add to the asset value or materially extend useful lives are not capitalized. Capital assets are depreciated using the straight-line method. When capital assets are disposed of, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

Estimated useful lives, in years, for depreciable assets are as follow:

	<u>Years</u>
Land improvements	20
Buildings and building improvements	20-50
Machinery, vehicles and equipment	5-20
Infrastructure	7-50

I.C.3. Long-Term Liabilities

In the government-wide financial statements, outstanding debt is reported as liabilities. Other long-term liabilities include compensated absences, accrued landfill postclosure care costs, the net pension liability, and the total other postemployment benefits liability. These are not reported in the governmental funds.

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I.C.4. Equity

The government-wide statement of net position reports net position in the following components:

- Net investment in capital assets, which is computed as the total capital assets less accumulated depreciation, net of outstanding debt used to acquire those assets.
- Restricted for perpetual care, which consists of the balance of the Permanent Fund that is allowed to be used only for cemetery care. This balance is segregated between nonexpendable, representing the principal balance that must be invested to generate income and cannot be expended, and expendable, representing income earned that can be used for cemetery care.
- Restricted for other purposes, which consists of the Library Fund; the rest of the Permanent Fund that is to be used for other purposes; the unexpended bond proceeds in the Road, Bridges and Culverts Fund, and the unexpended balance of the special highway block grant received in 2017 .
- Unrestricted, which consists of the remaining balance of net position.

The governmental funds report the following components of fund balance:

- Nonspendable, representing the principal balance of the Permanent Fund that cannot be spent, and the balances of tax deeded property and prepaid expenditures.
- Restricted, representing the unexpended 2017 additional highway block grant, the income portion of the Permanent Fund, the balance of the Library Fund and the unexpended bond proceeds in the Road, Bridges and Culverts Fund, that can only be used for specific purposes per terms of endowments or State law.
- Committed, representing the unrestricted balances of the Special Revenue and Capital Projects Funds, and the balance of a nonlapsing warrant article from 2018.
- Unassigned, representing the remaining balance of the General Fund.

I.C.5. Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

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II. Stewardship, Compliance and Accountability

II.A. Budgetary Information

An annual budget was adopted on a basis consistent with generally accepted accounting principles for the General Fund, as well as some of the nonmajor funds. Unless encumbered, all governmental fund appropriations lapse at year-end. The Town is allowed to use beginning fund balance to balance the budget. In 2019, \$135,000 of the fund balance from 2018 was so used.

Revenues are budgeted by source. Expenditures in the General Fund are budgeted by function as follow: general government, public safety, highways and streets, sanitation, health, welfare, culture and recreation, conservation, economic development, debt service and capital outlay. Management can transfer appropriations among budget line items as necessary, but the total expenditures cannot legally exceed the total appropriations unless permission is received from the Commissioner of Revenue Administration.

II.B. Reconciliation of General Fund Budgetary Basis to GAAP

The following reconciles the budgetary basis to the GAAP basis for the General Fund.

Revenues and other financing sources:	
Per Exhibit 7 (budgetary basis)	\$ 8,120,368
Adjustments:	
Basis difference:	
Tax revenue deferred in the prior year	497,035
Tax revenue deferred in the current year	(471,948)
Non-budgeted insurance proceeds for library fire	167,046
Per Exhibit 5 (GAAP basis)	<u>\$ 8,312,501</u>
 Expenditures and other financing uses:	
Per Exhibit 7 (budgetary basis)	\$ 7,496,200
Adjustments:	
Basis difference:	
Encumbrances, beginning	27,508
Encumbrances, ending	(22,508)
Unbudgeted expenditures due to library fire covered by insurance proceeds of this and prior year	432,235
Per Exhibit 5 (GAAP basis)	<u>\$ 7,933,435</u>
 Unassigned fund balance:	
Per Exhibit 7 (budgetary basis)	\$ 2,477,233
Adjustments:	
Basis difference:	
Deferred tax revenue, GAAP basis	(471,948)
Expenditures from prior year assigned fund balance	(265,189)
Per Exhibit 3 (GAAP basis)	<u>\$ 1,740,096</u>

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III. Detailed Notes on Funds and Government-Wide Statements

III.A.1. Investments

As of December 31, 2019, the Town had the following investments:

U.S. Treasury Notes	\$ 20,084
U.S. Government Agencies	249,269
Exchange Traded Funds	354,715
Mutual Funds	175,977
Common Stock	762,293
Preferred Stock	38,430
Corporate Bonds	408,940
New Hampshire Public Deposit Investment Pool	1,068,363
	<u>\$ 3,078,071</u>

The investments appear in the financial statements as follow:

Fund reporting level:	
Governmental funds - balance sheet (Exhibit 3)	\$ 2,334,092
Fiduciary funds - statement of fiduciary net position (Exhibit 8)	743,979
Total	<u>\$ 3,078,071</u>

Investment Policies

Credit Risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. New Hampshire law limits investments to those described in Note I.C.1. The Town’s investment policy does not place any further restrictions on its investment choices.

Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Investments held for longer periods are subject to increased risk of adverse interest rate changes. The Town’s investment policy limits concentration of investments with a specific maturity.

III.A.2. Receivables, Uncollectible Accounts and Deferred Revenue

Property Taxes Receivable and Property Tax Calendar

Property taxes are levied and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest of 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year’s billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31), and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A lien should be executed on any

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unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of liened taxes. Properties not redeemed within two years of the date of the tax lien should be deeded to the Town. The tax collector executed a tax lien for uncollected 2018 property taxes on May 15.

The property taxes levied and collected by the Town include amounts for the State of New Hampshire, the Hopkinton School District, Merrimack County, and the Contoocook Village and Hopkinton Village Precincts. The Town is responsible for the collection of all these taxes. During the annual tax rate setting process, the Town sets an amount for potential abatements and tax deedings, known as overlay. Overlay is raised through taxation and is reported as a reduction in tax revenue.

The net assessed valuation as of April 1, 2019, upon which the 2019 property tax levy was based was:

For the New Hampshire education tax	\$746,682,855
For all other taxes	\$777,100,755

The tax rates and amounts assessed for the year ended December 31, 2019 were as follow:

	Per \$1,000 of Assessed Valuation	
Municipal portion	\$6.25	\$ 4,852,560
School portion:		
State of New Hampshire	\$1.90	1,418,230
Local	\$18.50	14,377,919
County portion	\$2.47	1,922,671
Precinct portion:		
Contoocook Village	\$1.64	275,851
Hopkinton Village	\$0.35	17,159
Total property taxes assessed		\$ 22,864,390

This note continues on the next page.

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The following details the taxes receivable at year-end:

Property:	
Levy of 2019	\$ 937,891
Unredeemed (under tax lien):	
Levy of 2018	141,989
Levy of 2017	91,369
Levy of 2016	6,584
Levy of 2015	5,050
Levy of 2014	2,145
Levy of 2013	3,062
Levy of 2012	2,978
Levy of 2011	2,916
Levy of 2010	2,379
Land use change	4,544
Timber	2,409
Less: allowance for estimated uncollectible taxes	(200,000)
Net taxes receivable	<u><u>\$ 1,003,316</u></u>

Other Receivables and Uncollectible/Unavailable Accounts

Significant receivables include amounts due from customers primarily for sewer, ambulance, landfill and other services. The fund financial statements report accounts receivable net of any allowance for uncollectible/unavailable accounts and revenues net of uncollectibles. The allowance amounts consist of all of the elderly and welfare liens, and an amount for potential adjustments to ambulance receivables.

Related amounts are as follow:

Accounts	\$ 299,186
Intergovernmental	31,623
Liens	244,835
Less: allowance for uncollectible amounts	(290,285)
Net total receivables	<u><u>\$ 285,359</u></u>

Deferred Revenue

Deferred revenue in the governmental funds consists of \$471,948 of taxes, \$46,608 of sewer charges, \$103,507 of payment in lieu of taxes, and \$22,455 of ambulance fees deferred because they were not received within sixty days of year-end; and \$10,956 of prepaid taxes to be applied to the subsequent year's levy. In the Governmental Activities, only the prepaid taxes are reported as unearned revenue.

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III.A.4. Capital Assets

Changes in Capital Assets

The following provides a summary of changes in capital assets of the governmental activities:

	Balance, beginning	Additions	Deletions	Balance, ending
At cost:				
Not being depreciated:				
Land	\$ 8,410,469	\$ -	\$ -	\$ 8,410,469
Intangible assets	323,900	-	-	323,900
Total capital assets not being depreciated	<u>8,734,369</u>	<u>-</u>	<u>-</u>	<u>8,734,369</u>
Being depreciated:				
Land improvements	1,147,328	-	-	1,147,328
Buildings and building improvements	8,804,074	17,800	-	8,821,874
Machinery, vehicles and equipment	4,750,658	298,224	(79,384)	4,969,498
Infrastructure	42,572,350	521,712	-	43,094,062
Total capital assets being depreciated	<u>57,274,410</u>	<u>837,736</u>	<u>(79,384)</u>	<u>58,032,762</u>
Total all capital assets	<u>66,008,779</u>	<u>837,736</u>	<u>(79,384)</u>	<u>66,767,131</u>
Less accumulated depreciation:				
Land improvements	(867,484)	(25,252)	-	(892,736)
Buildings and building improvements	(2,746,147)	(266,504)	-	(3,012,651)
Machinery, vehicles and equipment	(3,171,460)	(362,214)	74,134	(3,459,540)
Infrastructure	(37,749,511)	(821,568)	-	(38,571,079)
Total accumulated depreciation	<u>(44,534,602)</u>	<u>(1,475,538)</u>	<u>74,134</u>	<u>(45,936,006)</u>
Net book value, capital assets being depreciated	<u>12,739,808</u>	<u>(637,802)</u>	<u>(5,250)</u>	<u>12,096,756</u>
Net book value, all capital assets	<u>\$ 21,474,177</u>	<u>\$ (637,802)</u>	<u>\$ (5,250)</u>	<u>\$ 20,831,125</u>

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

Governmental activities:	
General government	\$ 6,287
Public safety	313,766
Highways and streets	1,051,973
Sanitation	42,799
Culture and recreation	60,713
Total depreciation expense	<u>\$ 1,475,538</u>

III.B. Liabilities

III.B.1. Intergovernmental Payable

The amount due to other governments at December 31, 2019 consists of the balance of the 2019-2020 district assessment due to the Hopkinton School District in the amount of \$8,193,348, water rents due to the Contoocook Village Precinct in the amount of \$48,313, and fees due to the State of New Hampshire in the amount of \$3,940.

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III.B.2. Long-Term Liabilities

General obligation bonds and notes are approved by the voters and repaid with general revenues (property taxes). These liabilities are backed by the full faith and credit of the Town. Long-term liabilities also include compensated absences, accrued landfill postclosure care costs, the net pension liability, and the total OPEB liability.

Long-term liabilities currently outstanding are as follow:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at 12/31/2019	Current Portion
General obligation bonds and notes payable:						
Open space (Beyer/Carson/Rollins)	\$761,500	2004	2020	4.31	\$ 50,000	\$ 50,000
Open space (Rice)	\$467,900	2005	2025	4.00	120,000	20,000
Open space (Myron)	\$279,837	2007	2020	3.97	34,053	34,053
Community well	\$350,000	2010	2020	3.20	35,000	35,000
Highway garage	\$530,566	2013	2023	2.21	212,225	53,057
Fire station renovations	\$2,995,041	2014	2029	3.49	2,254,193	192,726
Roads, bridges, and culverts	\$2,200,000	2016	2026	2.54	1,588,950	210,124
					<u>4,294,421</u>	<u>594,960</u>
Compensated absences payable					283,689	4,927
Accrued landfill postclosure care costs					240,000	30,000
Net pension liability					4,414,537	-
Total OPEB liability					<u>602,327</u>	<u>-</u>
					<u>\$ 9,834,974</u>	<u>\$ 629,887</u>

Changes in Long-Term Liabilities

The following is a summary of changes in long-term liabilities for the year ended December 31, 2019:

	General Obligation Bonds and Notes Payable	Compensated Absences Payable	Accrued Landfill Postclosure Care Costs	Net Pension Liability	Total OPEB Liability	Total
Balance, beginning	\$ 4,881,336	\$ 268,788	\$ 261,000	\$ 4,318,565	\$ 579,900	\$ 10,309,589
Additions	-	14,901	-	95,972	22,427	133,300
Reductions	(586,915)	-	(21,000)	-	-	(607,915)
Balance, ending	<u>\$ 4,294,421</u>	<u>\$ 283,689</u>	<u>\$ 240,000</u>	<u>\$ 4,414,537</u>	<u>\$ 602,327</u>	<u>\$ 9,834,974</u>

This note continues on the following page.

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Debt Service Requirements to Maturity

The annual debt service requirements to maturity for bonds and notes as of year-end are as follow:

Year Ending December 31,	Principal	Interest	Total
2020	\$ 594,960	\$ 123,979	\$ 718,939
2021	489,411	104,824	594,235
2022	501,385	90,827	592,212
2023	513,708	77,071	590,779
2024	473,175	62,501	535,676
2025-2029	1,721,782	126,365	1,848,147
Totals	<u>\$ 4,294,421</u>	<u>\$ 585,567</u>	<u>\$ 4,879,988</u>

At the March 12, 2003 Town Meeting, \$5,000,000 of bonds were approved for the purpose of acquiring land for open space. As of December 31, 2019, five bonds totaling \$2,037,486 have been issued of this authorization, leaving \$2,962,514 still unissued.

Accrued Landfill Postclosure Care Costs

State and federal laws and regulations require that the Town continue to perform certain monitoring and maintenance functions at the landfill site for thirty years after closure. The amount recorded as the postclosure care liability represents the estimate of what it will cost for this monitoring and maintenance costs over the next nine years, the length of time monitoring is expected to continue. The actual cost of postclosure care could be higher or lower.

III.C. Balances and Transfers – Payments Within the Reporting Entity

III.C.1. *Receivables and Payables*

Generally, outstanding balances between funds reported as “interfund receivables/payables” include outstanding charges by one fund to another for goods or services, subsidy commitments outstanding at year-end, or other miscellaneous amounts. Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is also reported as “interfund receivables/payables.”

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The following reports the interfund receivables and payables at year-end:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 129,870
Nonmajor	General	25,494
Nonmajor	Nonmajor	1,725
		\$ 157,089

The amount due to the General Fund represents reimbursements for expenditures paid on behalf of other funds. The amount due to the Nonmajor Funds from the General Fund represents cash receipts not yet transferred. The amount due to the Nonmajor Funds from other Nonmajor Funds represents Permanent Fund interest due to the Library Fund.

III.C.2. Transfers

Transfers within the reporting entity are substantially for the purposes of distributing taxes to the fund for which the appropriation was made, funding capital projects, and making additions to and using capital reserve accounts. The government-wide statement of activities eliminates transfers reported within the activities columns.

The following reports transfers within the reporting entity:

	Transfers In:		
	General Fund	Nonmajor Funds	Total
Transfers out:			
General fund	\$ -	\$ 547,000	\$ 547,000
Nonmajor funds	92,385	1,725	94,110
	\$ 92,385	\$ 548,725	\$ 641,110

The transfers from the General Fund represent appropriations to the Expendable Trust Fund. The transfers from the Nonmajor Funds represent \$15,000 from the Library Fund and \$77,385 from the Pay-by-Bag Fund to the General Fund as voted; and \$1,725 representing earnings on library trust funds paid to the Library Fund from the Permanent Fund.

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III.D. Equity

III.D.1. Components of Fund Balance

Fund balance is categorized in the following components as described in Note I.C.4.:

	General Fund	Nonmajor Funds
Nonspendable:		
Prepaid items	\$ 33,442	\$ -
Tax deeded property	36,212	-
Endowments	-	776,310
Total nonspendable	69,654	776,310
Restricted:		
General government	-	308,014
Highways and streets	777	215,350
Welfare	-	189,769
Culture and recreation	-	99,544
Total restricted	777	812,677
Committed:		
General government	-	24,537
Public safety	-	49,937
Sanitation	-	70,788
Welfare	-	41,193
Culture and recreation	-	105,494
Conservation	-	107,412
Economic development	21,731	-
Capital outlay	-	1,197,042
Total committed	21,731	1,596,403
Unassigned	1,740,096	-
Total fund balance	\$ 1,832,258	\$ 3,185,390

III.D.2. Restricted Net Position

The government-wide statement of net position includes restricted net position of \$857,867 for perpetual care; \$432,220 for library, community outreach and the senior center representing public trust funds reported as restricted to reflect purpose restrictions in trust indentures; \$215,350 of unexpended bond proceeds; \$83,548 of the library fund balance and \$777 representing additional highway block grant monies, all whose use is restricted by law.

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III.D.3. Restatement of Beginning Equity

Equity at January 1, 2019 was restated as follows:

	Governmental Activities	General Fund
To correct balance of capital assets	\$ 182,573	\$ -
To correct balance of accrued payroll	(20,249)	(20,249)
Net position/fund balance, as previously reported	16,989,627	1,473,441
Net position/fund balance, as restated	<u>\$ 17,151,951</u>	<u>\$ 1,453,192</u>

IV. Other Information

IV.A. Risk Management

The Town’s risk management activities are reported with governmental activities and recorded in the General Fund. During the fiscal year, the Town was a member of the NH Public Risk Management Exchange (Primex), which is organized to provide certain property and liability protection to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of Primex, the Town shares in contributing to the cost of, and receiving benefits from, a self-insured pooled risk management program. The membership and coverage run from July 1 through June 30 for property/liability, and from January 1 through December 31 for workers’ compensation.

Contributions paid in 2019 to be recorded as an insurance expenditure/expense totaled \$66,973 for property/liability and \$53,586 for workers’ compensation coverage. There were no unpaid contributions due in 2019. The member agreement permits Primex to make additional assessments to members should there be a deficiency in trust assets to meet its liabilities. At this time, the Town foresees no likelihood of any additional assessments for past years.

IV.B. Retirement Pensions

The New Hampshire Retirement System (NHRS) is a multiple-employer, cost-sharing, contributory public employee defined benefit plan qualified under section 401(a) of the Internal Revenue Code, and funded through a trust which is exempt from tax under Internal Revenue Code section 501(a). The NHRS provides service, disability, death and vested retirement benefits for the Town’s police officers, fire personnel and other employees, and their beneficiaries. The New Hampshire Legislature establishes the provisions for benefits and contributions. The NHRS issues a separate financial report that is available at www.nhrs.org or by contacting the NHRS at 54 Regional Drive, Concord, NH 03301.

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Both the members and the Town make contributions to the NHRS. Member rates of contribution are set by the Legislature. Employer rates are determined by the NHRS trustees based on an actuarial valuation. The rates of contribution for police officers, firefighters and other employees were 11.55%, 11.80% and 7.0% of gross wages, respectively. The rates of contribution from the Town for the first six months of 2019 were 29.43% for police, 31.89% for fire personnel, and 11.38% for other employees, changing on July 1 to 28.43%, 30.09%, and 11.17%, respectively. The rates are actuarially determined to generate an amount, that when combined with employee contributions, is expected to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. Employer contributions from the Town during the years 2017, 2018 and 2019 were \$391,770, \$432,850, and \$398,665 respectively. The amounts are paid on a monthly basis as due.

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

At December 31, 2019, the Town reported a liability of \$4,414,537 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018 rolled forward. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating municipalities and school districts, actuarially determined. As of June 30, 2019, the Town's proportion was 0.0917%, which was an increase of 0.0020% from its proportion measured as of June 30, 2018.

For the year 2019, the Town recognized pension expense of \$503,897. At year-end, 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>
Changes in proportion and differences between employer contributions and share of contributions	\$ 121,060	\$ 112,868
Net differences between projected and actual earnings on pension plan investments	-	36,060
Changes of assumptions	158,392	-
Differences between expected and actual experience	24,409	94,925
Town contributions subsequent to the measurement date	<u>198,591</u>	<u>-</u>
	<u>\$ 502,452</u>	<u>\$ 243,853</u>

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AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

The Town reported \$198,591 as deferred outflows of resources related to pensions resulting from Town contributions subsequent to the measurement date, which will be recognized as a reduction of the net pension liability in the year 2020.

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follow:

Year Ending December 31,	
2020	\$ 129,373
2021	(107,755)
2022	12,686
2023	25,704
	\$ 60,008

Actuarial Assumptions

The total pension liability in the June 30, 2019 actuarial valuation was determined using the actuarial valuation as of June 30, 2018 rolled forward, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.5%
Salary increases	5.6% average, including inflation
Investment rate of return	7.25% per year

Mortality rates were based on the RP-2014 Healthy Annuitant and Employee Generational Mortality Tables, adjusted for mortality improvements using Scale MP-2015, based on the last experience study.

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 7.25%, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's proportionate share of net pension liability	\$ 5,911,247	\$ 4,414,537	\$ 3,177,518

TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

Other actuarial assumptions, as well as detailed information about the pension plan's fiduciary net position, is available in the separately issued NHRS report.

IV.C. Contingent Liabilities

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

There are also some pending claims and litigation that have arisen through the Town's normal operations, most notably, property tax appeals from two power companies, seeking abatements of taxes assessed in prior years. The Town is defending against these claims, and is unable at this time to determine the likelihood of an unfavorable outcome, but should the plaintiffs succeed, the effect to the Town would be expected to be significant.

IV.D. Other Postemployment Benefits

Plan Descriptions

The Town is part of two different OPEB plans, one that is a retiree health care benefits program operating as a single-employer plan that is used to provide OPEB for all permanent full-time employees (implicit rate subsidy); and the other that consists of benefits to its retired employees and their beneficiaries as required by RSA 100-A:50, *New Hampshire Retirement System: Medical Benefits*. These benefits are provided through the New Hampshire Retirement System operating as a cost-sharing, multiple-employer OPEB medical subsidy healthcare plan (medical insurance subsidy). Further information on this plan can be found in the audited report on the NHRS Cost-Sharing Multiple-Employer Other Postemployment Benefit (OPEB) Plan which is available on the NHRS website at www.nhrs.org.

Benefits Provided

The Town provides health care benefits for its retirees and their dependents (implicit rate plan). Benefits are provided through the Town, but the full cost of premiums is paid by the retirees. The same benefits are offered to retirees as to active employees, with the claims experience of both categories combined to determine a blended premium rate. Because the rate is the same for both retired and presumably less healthy individuals and active and presumably, more healthy individuals, the premium for the active employees which is for the most part paid by the Town is in effect subsidizing the premium for retirees.

TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

With the medical insurance subsidy plan, there is a payment made by the NHRS to the former employer or its insurance administrator toward the cost of health insurance for the qualified retiree, his/her qualified spouse, and dependent children with disability who are living in the retiree's household and being cared for by the retiree. If the health insurance premium is less than the medical subsidy amount, then only the premium amount is paid by the NHRS. If the insurance premium is more than the medical subsidy amount, then the retiree or other qualified person is responsible for paying the balance of the premium. Benefits are based on age, creditable service, and retirement or hire dates. This plan is closed to new entrants.

Total OPEB Liability, OPEB Expense, and Deferred Inflows and Outflows of Resources Related to OPEB

The Town's total OPEB liability of \$602,327 at December 31, 2019 consists of \$192,639 for the implicit rate subsidy determined by a valuation calculated using the standards set by GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, and \$409,688 for the medical insurance subsidy, determined by an actuarial valuation as of June 30, 2018 with roll-forward procedures used to determine the liability as of June 30, 2019. The roll-forward of the total OPEB liability related to the medical subsidy from 2018 to 2019 reflects service cost and interest reduced by actual benefit payments and refunds for the plan year.

For the year ended December 31, 2019, the Town recognized OPEB expense of \$33,989. At year-end, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in proportion and differences between employer contributions and share of contributions	\$ 2,209	\$ 713
Net differences between projected and actual earnings on OPEB plan investments	-	460
Town contributions subsequent to the measurement date	19,622	-
	<u>\$ 21,831</u>	<u>\$ 1,173</u>

The Town reported \$19,622 as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date, which will be recognized as a reduction of the OPEB liability in the year 2020.

TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019

The other amounts reported as deferred outflows and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follow:

Year Ending December 31,	
2020	\$ 1,191
2021	(305)
2022	32
2023	118
	<u>\$ 1,036</u>

Methods and Assumptions

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

Medical Insurance Subsidy:	
Payroll growth	3.25%
Discount rate	7.25%
Inflation	2.50%
Investment rate of return	3.62%, net of investment expense, including inflation
Mortality	RP-2014 Healthy Annuitant and Employee Generational Mortality Tables with credibility adjustments and adjusted for fully generational mortality improvements using Scale MP-2015 based on the last experience study
Healthcare cost trend rates	N/A, benefits are fixed stipends

The following simplifying assumptions were made in the calculation of the implicit rate subsidy portion:

Retirement age for active employees – Based on the historical average retirement age for the covered group, active plan members were assumed to retire at age 62, or at the first subsequent year in which the member would qualify for benefits.

Marital status – Marital status of members at the calculation date was assumed to continue throughout retirement.

Health insurance premiums – The health insurance premiums for retirees in 2019 were used as the basis for calculation of the present value of total benefits to be paid.

Sensitivity of the Total OPEB Liability to Changes in Rates

Assumptions and methods used to determine the total OPEB liability are sensitive to changes in the discount and healthcare cost trend rates. The following presents the Town’s total OPEB liability related to the medical subsidy calculated using the stated discount rate, as well as what

**TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019**

it would be if it were calculated using a discount rate that is one percentage point lower or one percentage rate higher than the stated rate.

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Town's total OPEB liability related to the medical subsidy	\$444,368	\$409,688	\$379,552

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT 10
TOWN OF HOPKINTON, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Pension Liability
New Hampshire Retirement System

	2019	2018	2017	2016	2015	2014
Town's proportion of net pension liability	0.0917%	0.0897%	0.0891%	0.0951%	0.0916%	0.0944%
Town's proportionate share of the net pension liability	\$4,414,537	\$4,318,565	\$4,382,631	\$5,055,916	\$3,626,825	\$3,542,092
Town's covered-employee payroll	\$2,339,352	\$2,883,141	\$2,158,167	\$2,025,249	\$1,962,243	\$2,053,126
Town's proportionate share of the net pension liability as a percentage of covered-employee payroll	188.71%	149.79%	203.07%	249.64%	184.83%	172.52%
Plan fiduciary position as a percentage of the total pension liability	65.6%	64.7%	62.7%	58.3%	65.5%	66.3%

The note to the required supplementary information is an integral part of this schedule.

EXHIBIT 11
TOWN OF HOPKINTON, NEW HAMPSHIRE
Schedule of the Town's Pension Contributions
New Hampshire Retirement System

	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 398,665	\$ 586,911	\$ 382,922	\$ 368,038	\$ 350,050	\$ 356,384
Contributions in relation to the contractually required contribution	<u>398,665</u>	<u>586,911</u>	<u>382,922</u>	<u>368,038</u>	<u>350,050</u>	<u>356,384</u>
Contribution deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Town's covered-employee payroll	\$2,339,352	\$2,883,141	\$2,158,167	\$2,025,249	\$1,962,243	\$2,053,126
Contributions as a percentage of covered-employee payroll	17.04%	20.36%	17.74%	18.17%	17.84%	17.36%

The note to the required supplementary information is an integral part of this schedule.

EXHIBIT 12
TOWN OF HOPKINTON, NEW HAMPSHIRE
Schedule of Changes in the Town's Total OPEB Liability and Related Ratios

	<u>2019</u>	<u>2018</u>
Total OPEB liability:		
Service cost	\$ 801	\$ 875
Interest	31,940	33,231
Differences between expected and actual experience	(3,461)	11,262
Contributions	42,646	49,043
Benefit payments	(44,634)	(43,788)
Administrative expense and non-contribution items	265	(67)
Change in percentage	<u>(5,130)</u>	<u>105,941</u>
Net change in total OPEB liability	22,427	156,497
Total OPEB liability, beginning	<u>579,900</u>	<u>423,403</u>
Total OPEB liability, ending	<u><u>\$ 602,327</u></u>	<u><u>\$ 579,900</u></u>
Covered payroll	\$2,339,352	\$2,883,141
Total OPEB liability as a percentage of covered payroll	25.75%	20.11%

The note to the required supplementary information is an integral part of this schedule.

EXHIBIT 13
TOWN OF HOPKINTON, NEW HAMPSHIRE
Schedule of the Town's OPEB Contributions

	2019	2018
Actuarially determined contribution	\$ 79,994	\$ 64,525
Contributions in relation to the actuarially determined contribution	(60,190)	(54,809)
Contribution deficiency	<u>\$ 19,804</u>	<u>\$ 9,716</u>
Covered-employee payroll	\$2,339,352	\$2,883,141
Contributions as a percentage of covered-employee payroll	3.42%	2.24%

The note to the required supplementary information is an integral part of this schedule.

**TOWN OF HOPKINTON, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION
AS OF AND FOR THE YEAR ENDED DECEMBER 31, 2019**

The Pension and OPEB schedules are meant to present related information for ten years. Because this is the fifth year that the Town has presented the pension schedules, and the second year that the Town has presented its OPEB information in the format set by GASB Statement No. 75, only six and two years, respectively, are presented. An additional year's information will be added each year until there are ten years shown.

COMBINING AND INDIVIDUAL FUND SCHEDULES

EXHIBIT 14
TOWN OF HOPKINTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2019

	Special Revenue Funds										Capital Projects Funds			Total
	Library	Recreation Revolving	Recycling Revolving	Conservation Commission	Pay-by-Bag	Sewer	Senior Center Rental	Drug Forfeiture and Seizure	Public Safety Revolving	Other	Expendable Trust	Roads, Bridges & Culverts	Permanent Fund	
ASSETS														
Cash and cash equivalents	\$ 79,071	\$ 59,752	\$ 18,817	\$ 105,662	\$ 117,805	\$ 11,133	\$ 1,387	\$ 32,509	\$ 18,066	\$ 119,205	\$ 103,194	\$ 215,350	\$ 54,493	\$ 936,444
Investments	2,752	-	-	-	-	-	-	-	-	-	1,094,019	-	1,237,321	2,334,092
Accounts receivable, net of allowance	-	-	-	-	3,500	71,239	-	-	100	-	-	-	-	74,839
Interfund receivable	1,725	-	-	1,750	-	23,744	-	-	-	-	-	-	-	27,219
Total assets	<u>\$ 83,548</u>	<u>\$ 59,752</u>	<u>\$ 18,817</u>	<u>\$ 107,412</u>	<u>\$ 121,305</u>	<u>\$ 106,116</u>	<u>\$ 1,387</u>	<u>\$ 32,509</u>	<u>\$ 18,166</u>	<u>\$ 119,205</u>	<u>\$ 1,197,213</u>	<u>\$ 215,350</u>	<u>\$ 1,291,814</u>	<u>\$ 3,372,594</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES														
Liabilities:														
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 8,337	\$ -	\$ -	\$ -	\$ 564	\$ -	\$ -	\$ -	\$ 8,901
Interfund payable	-	3,184	-	-	81,519	38,986	-	-	738	5,272	171	-	1,725	131,595
Escrow and performance deposits	-	-	-	-	-	-	100	-	-	-	-	-	-	100
Total liabilities	<u>-</u>	<u>3,184</u>	<u>-</u>	<u>-</u>	<u>81,519</u>	<u>47,323</u>	<u>100</u>	<u>-</u>	<u>738</u>	<u>5,836</u>	<u>171</u>	<u>-</u>	<u>1,725</u>	<u>140,596</u>
Deferred inflows of resources:														
Unavailable revenue	-	-	-	-	-	46,608	-	-	-	-	-	-	-	46,608
Fund balances:														
Nonspendable	-	-	-	-	-	-	-	-	-	-	-	-	776,310	776,310
Restricted	83,548	-	-	-	-	-	-	-	-	-	-	215,350	513,779	812,677
Committed	-	56,568	18,817	107,412	39,786	12,185	1,287	32,509	17,428	113,369	1,197,042	-	-	1,596,403
Total fund balances	<u>83,548</u>	<u>56,568</u>	<u>18,817</u>	<u>107,412</u>	<u>39,786</u>	<u>12,185</u>	<u>1,287</u>	<u>32,509</u>	<u>17,428</u>	<u>113,369</u>	<u>1,197,042</u>	<u>215,350</u>	<u>1,290,089</u>	<u>3,185,390</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 83,548</u>	<u>\$ 59,752</u>	<u>\$ 18,817</u>	<u>\$ 107,412</u>	<u>\$ 121,305</u>	<u>\$ 106,116</u>	<u>\$ 1,387</u>	<u>\$ 32,509</u>	<u>\$ 18,166</u>	<u>\$ 119,205</u>	<u>\$ 1,197,213</u>	<u>\$ 215,350</u>	<u>\$ 1,291,814</u>	<u>\$ 3,372,594</u>

EXHIBIT 15
TOWN OF HOPKINTON, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For The Year Ended December 31, 2019

	Special Revenue Funds									Capital Projects Funds			Total
	Library	Recreation Revolving	Recycling Revolving	Conservation Commission	Pay-by-Bag	Sewer	Senior Center Rental	Drug Forfeiture and Seizure	Public Safety Revolving	Other	Expendable Trust	Roads, Bridges & Culverts	
REVENUES													
Taxes	\$ -	\$ -	\$ -	\$ 21,276	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 21,276
Charges for services	8,010	74,189	625	-	71,113	110,601	-	-	113,662	-	-	-	378,200
Miscellaneous	10,196	18	30	693	804	16	1,302	50	130	20,702	26,287	-	242,640
Total revenues	18,206	74,207	655	21,969	71,917	110,617	1,302	50	113,792	20,702	26,287	-	642,116
EXPENDITURES													
Current:													
General government	-	-	-	-	-	-	-	-	-	-	63,200	-	87,013
Public safety	-	-	-	-	-	-	-	-	135,084	1,953	-	-	137,037
Sanitation	-	-	500	-	32,615	115,778	-	-	-	-	-	-	148,893
Welfare	-	-	-	-	-	-	-	-	-	18,268	-	-	18,268
Culture and recreation	25,212	66,295	-	-	-	425	-	-	-	1,834	5,013	-	98,779
Conservation	-	-	-	44,749	-	-	-	-	-	-	-	-	44,749
Capital outlay	-	-	-	-	-	-	-	-	-	-	331,220	359,186	690,406
Total expenditures	25,212	66,295	500	44,749	32,615	115,778	425	-	135,084	22,055	399,433	359,186	1,225,145
Excess (deficiency) of revenues over (under) expenditures	(7,006)	7,912	155	(22,780)	39,302	(5,161)	877	50	(21,292)	(1,353)	(373,146)	(359,186)	(583,029)
Other financing sources (uses):													
Transfers in	1,725	-	-	-	-	-	-	-	-	-	547,000	-	548,725
Transfers out	(15,000)	-	-	-	(77,385)	-	-	-	-	-	-	-	(94,110)
Total other financing sources and uses	(13,275)	-	-	-	(77,385)	-	-	-	-	-	547,000	-	454,615
Net change in fund balances	(20,281)	7,912	155	(22,780)	(38,083)	(5,161)	877	50	(21,292)	(1,353)	173,854	(359,186)	(128,414)
Fund balances, beginning	103,829	48,656	18,662	130,192	77,869	17,346	410	32,459	38,720	114,722	1,023,188	574,536	3,313,804
Fund balances, ending	\$ 83,548	\$ 56,568	\$ 18,817	\$ 107,412	\$ 39,786	\$ 12,185	\$ 1,287	\$ 32,509	\$ 17,428	\$ 113,369	\$ 1,197,042	\$ 215,350	\$ 3,185,390

EXHIBIT 16
TOWN OF HOPKINTON, NEW HAMPSHIRE
General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For The Year Ended December 31, 2019

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 4,438,467	\$ 4,684,634	\$ 246,167
Land use change	32,000	60,097	28,097
Timber	38,000	46,097	8,097
Payments in lieu of taxes	150,350	130,726	(19,624)
Interest and penalties on delinquent taxes	80,000	105,945	25,945
Total taxes	4,738,817	5,027,499	288,682
Licenses, permits and fees:			
Business licenses and permits	750	2,110	1,360
Motor vehicle permits	1,200,000	1,317,982	117,982
Other	24,200	23,059	(1,141)
Total licenses, permits and fees	1,224,950	1,343,151	118,201
Intergovernmental:			
State sources:			
Municipal aid	-	49,391	49,391
Meals and rooms distributions	288,569	288,569	-
Highway block grant	196,789	196,494	(295)
State and federal forest land	457	457	-
Flood control reimbursement	237,663	230,196	(7,467)
Other	5,000	3,857	(1,143)
Federal sources:			
Police grants	-	1,583	1,583
Total intergovernmental	728,478	770,547	42,069
Charges for services:			
Income from departments	804,000	801,554	(2,446)
Miscellaneous:			
Sale of property	2,500	2,900	400
Interest on investments	30,000	41,410	11,410
Rent of property	39,401	10,150	(29,251)
Fines and forfeits	-	640	640
Contributions and donations	-	7,349	7,349
Other	-	4,254	4,254
Total miscellaneous	71,901	85,232	13,331
Other financing sources:			
Transfers in:			
Nonmajor funds	125,000	92,385	(32,615)
Total revenues and other financing sources	7,693,146	\$ 8,120,368	\$ 427,222
Use of fund balance to reduce taxes	135,000		
Total revenues, other financing sources and use of fund balance	\$ 7,828,146		

EXHIBIT 17
TOWN OF HOPKINTON, NEW HAMPSHIRE
General Fund

Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For The Year Ended December 31, 2019

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 308,826	\$ 306,610	\$ -	\$ 2,216
Election and registration	-	191,217	199,972	-	(8,755)
Financial administration	-	126,323	120,842	-	5,481
Revaluation of property	-	73,624	56,811	-	16,813
Legal	-	20,000	11,265	-	8,735
Personnel administration	-	783,122	779,182	-	3,940
Planning and zoning	-	120,226	112,131	-	8,095
Cemeteries	-	17,228	19,483	-	(2,255)
Insurance, not otherwise allocated	-	66,884	78,008	-	(11,124)
Total general government	-	1,707,450	1,684,304	-	23,146
Public safety:					
Police	-	812,136	751,854	-	60,282
Ambulance	-	697,415	660,998	-	36,417
Fire	-	322,616	298,953	-	23,663
Emergency management	-	1	-	-	1
Total public safety	-	1,832,168	1,711,805	-	120,363
Highways and streets:					
Public works	-	847,950	826,879	-	21,071
Highways	777	762,300	722,180	777	40,120
Street lighting	-	2,220	2,295	-	(75)
Total highways and streets	777	1,612,470	1,551,354	777	61,116
Sanitation:					
Transfer station	-	668,378	565,465	-	102,913
Solid waste disposal	-	43,000	42,194	-	806
Community wells	-	17,500	12,158	-	5,342
Total sanitation	-	728,878	619,817	-	109,061
Health:					
Animal control	-	6,834	6,459	-	375
Health agencies	-	14,675	5,900	-	8,775
Total health	-	21,509	12,359	-	9,150
Welfare:					
Administration	-	67,053	66,579	-	474
Vendor payments	-	50,000	50,526	-	(526)
Total welfare	-	117,053	117,105	-	(52)
Culture and recreation:					
Parks and recreation	-	205,200	205,466	-	(266)
Public library	-	304,090	298,012	-	6,078
Patriotic purposes	-	3,200	3,000	-	200
Total culture and recreation	-	512,490	506,478	-	6,012
Conservation	-	1	-	-	1
Economic development	26,731	14,000	17,903	21,731	1,097

(continued)

EXHIBIT 17 (continued)
TOWN OF HOPKINTON, NEW HAMPSHIRE
General Fund

Schedule of Appropriations, Expenditures and Encumbrances (Non-GAAP Budgetary Basis)
For The Year Ended December 31, 2019

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Debt service:					
Principal	-	584,973	586,916	-	(1,943)
Interest on long-term debt	-	148,154	146,159	-	1,995
Interest on tax anticipation note	-	2,000	-	-	2,000
Total debt service	<u>-</u>	<u>735,127</u>	<u>733,075</u>	<u>-</u>	<u>2,052</u>
Other financing uses:					
Transfers out:					
Nonmajor funds	<u>-</u>	<u>547,000</u>	<u>547,000</u>	<u>-</u>	<u>-</u>
Total encumbrances, appropriations, expenditures and other financing uses	<u>\$ 27,508</u>	<u>\$ 7,828,146</u>	<u>\$ 7,501,200</u>	<u>\$ 22,508</u>	<u>\$ 331,946</u>

EXHIBIT 18
TOWN OF HOPKINTON, NEW HAMPSHIRE
General Fund
Schedule of Changes in Unassigned Fund Balance (Non-GAAP Budgetary Basis)
For The Year Ended December 31, 2019

Unassigned fund balance, beginning, as restated		\$ 1,601,462
Changes:		
Unassigned fund balance used to reduce tax rate		(135,000)
Budget summary:		
Revenue surplus (Exhibit 16)	\$ 427,222	
Unexpended balance of appropriations (Exhibit 17)	<u>331,946</u>	
Budget surplus		759,168
Increase in nonspendable fund balance		(16,041)
Decrease in assigned fund balance		<u>267,644</u>
Unassigned fund balance, ending		<u><u>\$ 2,477,233</u></u>



Roberts & Greene, PLLC

To the Members of the Board of Selectmen
Town of Hopkinton
330 Main Street
Hopkinton, New Hampshire 03229

In planning and performing our audit of the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Hopkinton as of and for the year ended December 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered the Town's internal control over financial reporting (internal control) as a basis for designing our audit procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

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

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

GASB Statement No. 75, Accounting and Financial Reporting For Postemployment Benefits Other Than Pensions

As noted last year, this statement took effect for the Town for the year ended December 31, 2018, and requires that the Town recognize the total other postemployment benefits (OPEB) liability in the statement of net position. This liability consists of two portions; one that is applicable to the medical subsidy provided to retirees through the New Hampshire Retirement System (NHRS), and the other pertaining to the implicit rate subsidy which occurs when retirees and active employees are covered by the same insurance policy and pay a blended premium. The required information for the first piece is provided in reports presented by the NHRS, and is included in the Town's financial statements as required supplementary information. The implicit rate part of the OPEB liability though should be determined through an actuarial valuation, or a specific alternative method. The Town has prepared information based on standards promulgated by GASB Statement No. 45, which were replaced by Statement No. 75. We recommend that the Town consider using an actuary to determine the liability as required by the standard.

This communication is intended solely for the information and use of the Board of Selectmen and others within the Town, and is not intended to, and should not, be used by anyone other than these specified parties.

June 23, 2020

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