

**TOWN OF HAMPTON FALLS,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019**

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
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DECEMBER 31, 2019

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PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX 603-224-1380

INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Hampton Falls
Hampton Falls, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Hampton Falls as of and for the year ended December 31, 2019, 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 aggregate remaining fund information of the Town of Hampton Falls, as of December 31, 2019, and the respective changes in financial position and, the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 2-C to the financial statements, in fiscal year 2019 the Town adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinions are not modified with respect to this matter.

***Town of Hampton Falls
Independent Auditor's Report***

Other Matters

Management's Discussion and Analysis – Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by the missing information.

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Schedule of the Town's Proportionate Share of Net Pension Liability,
- Schedule of Town Contributions – Pensions,
- Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability,
- Schedule of Town Contributions – Other Postemployment Benefits,
- Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios, and
- Notes to the Required Supplementary Information

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 Hampton Fall's basic financial statements. The combining and individual fund schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund schedules 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 and individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Plodzik & Sanderson
Professional Association*

May 7, 2020

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Statement of Net Position
December 31, 2019

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 584,380
Investments	960,404
Taxes receivables (net)	640,824
Account receivables (net)	37,343
Capital assets:	
Land	4,708,636
Other capital assets, net of depreciation	4,549,038
Total assets	<u>11,480,625</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	237,584
Amounts related to other postemployment benefits	17,886
Total deferred outflows of resources	<u>255,470</u>
LIABILITIES	
Accounts payable	62,594
Accrued interest payable	11,518
Long-term liabilities:	
Due within one year	120,000
Due in more than one year	2,368,148
Total liabilities	<u>2,562,260</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - Donation	610
Amounts related to pensions	94,943
Amounts related to other postemployment benefits	275,608
Total deferred inflows of resources	<u>371,161</u>
NET POSITION	
Net investment in capital assets	8,537,674
Restricted	171,459
Unrestricted	93,541
Total net position	<u>\$ 8,802,674</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT B
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2019

		Program Revenues			Net (Expense)
		Charges	Operating	Capital	Revenue and
		for	Grants and	Grants and	Change In
	Expenses	Services	Contributions	Contributions	Net Position
General government	\$ 828,801	\$ 2,664	\$ -	\$ -	\$ (826,137)
Public safety	919,402	106,715	14,343	-	(798,344)
Highways and streets	392,288	-	-	70,768	(321,520)
Sanitation	205,525	2,472	-	-	(203,053)
Health	57,849	-	-	-	(57,849)
Welfare	2,961	-	-	-	(2,961)
Culture and recreation	220,107	11,581	-	-	(208,526)
Conservation	2,972	-	-	-	(2,972)
Interest on long-term debt	28,123	-	-	-	(28,123)
Total governmental activities	<u>\$ 2,658,028</u>	<u>\$ 123,432</u>	<u>\$ 14,343</u>	<u>\$ 70,768</u>	<u>(2,449,485)</u>
General revenues:					
Taxes:					
Property					1,702,527
Other					91,497
Motor vehicle permit fees					725,497
Licenses and other fees					60,622
Grants and contributions not restricted to specific programs					126,633
Unrestricted investment earnings					110,577
Miscellaneous					82,705
Total general revenues					<u>2,900,058</u>
Change in net position					450,573
Net position, beginning					8,352,101
Net position, ending					<u>\$ 8,802,674</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-1
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2019

	General	Conservation Commission	Fire Department Vehicle	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 213,950	\$ 87,527	\$ 52,985	\$ 157,518	\$ 511,980
Investments	-	356,821	-	171,459	528,280
Receivables, net of allowance for uncollectible:					
Taxes	665,824	-	-	-	665,824
Accounts	1,004	-	30,736	5,603	37,343
Interfund receivable	1,688	-	-	7,129	8,817
Restricted assets:					
Cash and cash equivalents	72,400	-	-	-	72,400
Investments	432,124	-	-	-	432,124
Total assets	<u>\$ 1,386,990</u>	<u>\$ 444,348</u>	<u>\$ 83,721</u>	<u>\$ 341,709</u>	<u>\$ 2,256,768</u>
LIABILITIES					
Accounts payable	\$ 62,594	\$ -	\$ -	\$ -	\$ 62,594
Interfund payable	-	-	7,595	1,222	8,817
Total liabilities	<u>62,594</u>	<u>-</u>	<u>7,595</u>	<u>1,222</u>	<u>71,411</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - Property taxes	62,479	-	-	-	62,479
Unavailable revenue - Donation	610	-	-	-	610
Total deferred inflows of resources	<u>63,089</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>63,089</u>
FUND BALANCES					
Nonspendable	-	-	-	152,046	152,046
Restricted	235,903	-	-	19,413	255,316
Committed	237,776	444,348	76,126	159,110	917,360
Assigned	15,330	-	-	9,918	25,248
Unassigned	772,298	-	-	-	772,298
Total fund balances	<u>1,261,307</u>	<u>444,348</u>	<u>76,126</u>	<u>340,487</u>	<u>2,122,268</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,386,990</u>	<u>\$ 444,348</u>	<u>\$ 83,721</u>	<u>\$ 341,709</u>	<u>\$ 2,256,768</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-2
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
December 31, 2019

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balances of governmental funds (Exhibit C-1)		\$ 2,122,268
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 11,747,667	
Less accumulated depreciation	(2,489,993)	
		9,257,674
Pension and other postemployment benefit (OPEB) related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 237,584	
Deferred inflows of resources related to pensions	(94,943)	
Deferred outflows of resources related to OPEB	17,886	
Deferred inflows of resources related to OPEB	(275,608)	
		(115,081)
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (8,817)	
Payables	8,817	
		-
Long term revenue (taxes) is not available to pay current-period expenditures and therefore, is deferred in the governmental funds.		62,479
Allowance for uncollectible property taxes that is recognized on a full accrual basis, but not on the modified accrual basis.		(25,000)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(11,518)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bond	\$ 720,000	
Compensated absences	61,536	
Net pension liability	1,308,390	
Other postemployment benefits	398,222	
		(2,488,148)
Net position of governmental activities (Exhibit A)		<u>\$ 8,802,674</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-3
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2019

	General	Conservation Commission	Fire Department Vehicle	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 1,704,427	\$ 50,000	\$ -	\$ -	\$ 1,754,427
Licenses and permits	786,094	-	-	-	786,094
Intergovernmental	211,744	-	-	-	211,744
Charges for services	7,641	-	64,274	51,517	123,432
Miscellaneous	118,712	1,632	2,322	70,616	193,282
Total revenues	2,828,618	51,632	66,596	122,133	3,068,979
EXPENDITURES					
Current:					
General government	765,318	-	-	28,286	793,604
Public safety	891,146	-	4,484	52,866	948,496
Highways and streets	310,740	-	-	-	310,740
Sanitation	205,525	-	-	-	205,525
Health	57,849	-	-	-	57,849
Welfare	2,961	-	-	-	2,961
Culture and recreation	185,658	-	-	17,507	203,165
Conservation	2,567	405	-	-	2,972
Debt service:					
Principal	120,000	-	-	-	120,000
Interest	29,950	-	-	-	29,950
Capital outlay	668,613	-	-	-	668,613
Total expenditures	3,240,327	405	4,484	98,659	3,343,875
Excess (deficiency) of revenues over (under) expenditures	(411,709)	51,227	62,112	23,474	(274,896)
OTHER FINANCING SOURCES (USES)					
Transfers in	295,067	-	-	-	295,067
Transfers out	-	-	(287,000)	(8,067)	(295,067)
Total other financing sources (uses)	295,067	-	(287,000)	(8,067)	-
Net change in fund balances	(116,642)	51,227	(224,888)	15,407	(274,896)
Fund balances, beginning	1,377,949	393,121	301,014	325,080	2,397,164
Fund balances, ending	\$ 1,261,307	\$ 444,348	\$ 76,126	\$ 340,487	\$ 2,122,268

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT C-4
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2019

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

Net change in fund balances of governmental funds (Exhibit C-3)	\$ (274,896)
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Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Capitalized capital outlay	\$ 792,370	
Depreciation expense	(179,470)	
		612,900

Transfers in and out between governmental funds are eliminated on the Statement of Activities.

Transfers in	\$ (295,067)	
Transfers out	295,067	
		-

Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.

Change in deferred tax revenue	\$ 29,622	
Change in allowance for uncollectible property taxes	10,000	
		39,622

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.

Repayment of bond principal	120,000
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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	\$ 1,827	
Increase in compensated absences payable	(13,202)	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	(45,376)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	9,698	
		(47,053)

Changes in net position of governmental activities (Exhibit B)	\$ 450,573
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EXHIBIT D
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2019

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 1,723,927	\$ 1,744,049	\$ 20,122
Licenses and permits	696,000	786,094	90,094
Intergovernmental	210,992	211,744	752
Charges for services	6,000	7,641	1,641
Miscellaneous	46,350	62,857	16,507
Total revenues	2,683,269	2,812,385	129,116
EXPENDITURES			
Current:			
General government	863,225	727,885	135,340
Public safety	879,028	876,188	2,840
Highways and streets	343,200	238,436	104,764
Sanitation	209,745	202,535	7,210
Health	51,040	52,849	(1,809)
Welfare	7,000	2,961	4,039
Culture and recreation	191,690	185,773	5,917
Conservation	5,100	2,567	2,533
Debt service:			
Principal	120,000	120,000	-
Interest	30,950	29,950	1,000
Capital outlay	680,000	666,670	13,330
Total expenditures	3,380,978	3,105,814	275,164
Excess (deficiency) of revenues over (under) expenditures	(697,709)	(293,429)	404,280
OTHER FINANCING SOURCES (USES)			
Transfers in	553,350	649,526	96,176
Transfers out	(110,662)	(110,662)	-
Total other financing sources (uses)	442,688	538,864	96,176
Net change in fund balances	\$ (255,021)	245,435	\$ 500,456
Unassigned fund balance, beginning		564,342	
Unassigned fund balance, ending		\$ 809,777	

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-1
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2019

	All Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 3,796,993
Investments	339,991
Total assets	<u>4,136,984</u>
LIABILITIES	
Intergovernmental payables:	
School	<u>3,698,069</u>
NET POSITION	
Restricted	<u>\$ 438,915</u>

The Notes to the Basic Financial Statements are an integral part of this statement.

EXHIBIT E-2
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2019

	All Custodial Funds
ADDITIONS	
Tax collections for other governments	\$ 8,928,000
Contributions	146,357
Investment earnings	10,360
Change in fair market value	18,743
Total additions	<u>9,103,460</u>
DEDUCTIONS	
Payments of taxes to other governments	8,934,738
Payments for escrow purposes	66,340
Total deductions	<u>9,001,078</u>
Change in net position	102,382
Net position, beginning, as restated (see Note 18)	336,533
Net position, ending	<u><u>\$ 438,915</u></u>

The Notes to the Basic Financial Statements are an integral part of this statement.

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

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

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Hampton Falls, New Hampshire (the Town), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

In 2019 the Town implemented GASB Statement No. 84, *Fiduciary Activities*, which changed the way fiduciary activities are recorded. See Note 2-C for further information on this pronouncement.

The more significant of the Town's accounting policies are described below.

1-A Reporting Entity

The Town of Hampton Falls is a municipal corporation governed by an elected 3-member Board of Selectmen. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

1-B Basis of Accounting, and Measurement Focus

The accounts of the Town are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements – The Town's government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the Town's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Town are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

Governmental Fund Financial Statements – Include a balance sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for all major governmental funds and nonmajor funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The Town has presented all major funds that met those qualifications.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

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Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

The Town reports the following major governmental funds:

General Fund – is the Town’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, culture and recreation, debt service and capital outlay. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, guidance the library, heritage, crime line gift, liberty elm tree, and expendable trust funds are consolidated in the general fund.

Conservation Commission – the conservation commission fund is used to account for the proper utilization and protection of the natural resources and for the protection of water shed resources of the Town.

Fire Department Vehicle – the fire department vehicle fund is used to account for the operation of the Town’s ambulance service, and the fund can be used for the purchase of ambulance equipment and vehicles.

Additionally, the Town reports the following fund types:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Permanent Fund – are held in the custody of the Trustees of Trust Funds and are used to account for resources held in trust for use by the Town. These can include legal trusts for which the interest on the corpus provides funds for the Town’s cemetery operations.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental column of the fund financial statements. The Town reports six nonmajor governmental funds.

Fiduciary Fund Financial Statements – Include a Statement of Fiduciary Net Position and a Statement of Changes in Fiduciary Net Position. The Town’s fiduciary funds are custodial funds, which are custodial in nature. These funds are accounted for on a spending or “economic resources” measurement focus and the accrual basis of accounting.

The Town reports the following fiduciary funds:

Custodial Funds – are custodial in nature and do not belong to the primary government. A custodial fund is used to account for assets held on behalf of outside parties, including other governments, and include a taxes fund, school trust funds and impact fees fund.

1-C Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, and savings accounts.

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of 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 or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-D Restricted Assets

Certain Town assets are classified as restricted assets because their use is restricted by statutory limitation, and/or they are earmarked for a specific purposes.

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1-E Investments

State statutes place certain limitations on the nature of deposits and investments available as follows:

New Hampshire law authorizes the Town to invest in the following type of obligations:

- Obligations of the United States government,
- The public deposit investment pool established pursuant to RSA 383:22,
- Savings bank deposits,
- 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 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.

Fair Value Measurements of Investments – In accordance with GASB Statement No. 72, *Fair Value Measurement and Application*, except for investments measured using net asset value (NAV) as a practical expedient to estimate fair value, the Town categorizes the fair value measurements of its investments within the fair value hierarchy established by US GAAP. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

Level 1 – Inputs reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date. Directly held marketable equity securities and certificates of deposit would be examples of Level 1 investments.

Level 2 – Inputs are other than quoted prices that are observable for the assets or liabilities, either directly or indirectly, including inputs in markets that are not considered to be active. Because they most often are priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held fixed income securities are categorized in Level 2. All of the Town's holdings in corporate bonds would be examples of Level 2 investments.

Level 3 – Inputs are significant unobservable inputs.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In certain instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, is the level in the fair value hierarchy based on the lowest level of input that is significant to the fair value measurement. Investments are reported at fair value. If an investment is held directly by the Town and an active market with quoted prices exists, such as for domestic equity securities, the market price of an identical security is used to report fair value and is classified in Level 1. Corporate fixed income securities and certain governmental securities utilize pricing that may involve estimation using similar securities or trade dates and are classified in Level 2. Fair values for shares in registered mutual funds and exchange-traded funds are based on published share prices and classified in Level 1.

In determining fair value, the Town utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

1-F Receivables

Receivables recorded in the financial statements represent amounts due to the Town at December 31. They are aggregated into a single accounts receivable (net of allowance for uncollectibles) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

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1-G Capital Assets

Capital assets include property, plant, and equipment, infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), and intangible assets (i.e. easements) which are reported in the governmental activities column in the government-wide financial statements. The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund's measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position.

Capital assets are defined by the Town as assets with an initial, individual cost of more than \$5,000 for machinery, equipment and vehicles and \$25,000 for buildings and building improvements, land improvements, and infrastructure and an estimated useful life in excess of two years. Such assets are carried at historical cost or estimated historical cost. When the cost of the capital assets cannot be determined from available records, estimated historical cost is used. Donated capital assets received on or prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value.

The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

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

Capital Asset Classes:	<u>Years</u>
Land improvements	30
Buildings and building improvements	10 - 50
Machinery, equipment, and vehicles	7 - 30
Infrastructure	40

1-H Interfund Activities

Interfund activities are reported as follows:

Interfund Receivables and Payables – Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as “due to/from other funds” (i.e., the current portion of interfund loans). All other outstanding balances between funds are reported as “due to/from other funds.” Interfund receivables and payables between funds are eliminated in the Statement of Net Position.

Interfund Transfers – Interfund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-I Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year in accordance with RSA 76:15-a, *Semi-Annual Collection of Taxes in certain Towns and Cities*. Warrants for the year were issued on May 7, 2019 and November 4, 2019, and due on July 1, 2019 and December 10, 2019. Interest accrues at a rate of 12% (from January 1, 2019 through March 31, 2019) and 8% (after April 1, 2019) on bills outstanding after the due date and 18% (from January 1, 2019 through March 31, 2019) and 14% (after April 1, 2019) on tax liens outstanding. The Town placed a lien on all outstanding taxes from 2018 on April 15, 2019.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year-end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, Hampton Falls School District, Winnacunnet Cooperative School District, and Rockingham County, which are remitted to these entities as required by law.

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The Town net assessed valuation as of April 1, 2019 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$479,062,844
For all other taxes	\$484,498,144

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

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$3.66	\$ 1,772,785
School portion:		
State of New Hampshire	\$2.11	1,009,135
Local	\$15.38	7,452,691
County portion	\$0.96	466,174
Total	<u>\$22.11</u>	<u>\$10,700,785</u>

1-J Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2019.

1-K Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expenses/expenditure) until then. Deferred outflows of resources consist of unrecognized items not yet charged to pension and OPEB expense and contributions from the Town after the measurement date but before the end of the Town's reporting period.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources consist of property tax receivable and other receivables not collected within 60 days after year-end.

1-L Long-term Obligations

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

1-M Compensated Absences

The Town's policy allows certain employees to earn varying amounts of vacation based on the employee's length of employment. Upon separation from service, employees are paid in full for any accrued leave earned as set forth by the Town's personnel policy. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

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1-N Defined Benefit Pension Plan

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27* and as amended by GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* and GASB Statement No. 82 *Pension Issues – an amendment of GASB Statement No. 67, No. 68 and No. 73* requires participating employers to recognize their proportionate share of collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense, and schedules have been prepared to provide employers with their calculated proportionate share of these amounts. The collective amounts have been allocated based on employer contributions during the respective fiscal years. Contributions from employers are recognized when legally due, based on statutory requirements.

The schedules prepared by New Hampshire Retirement System, and audited by the plan's independent auditors, require management to make a number of estimates and assumptions related to the reported amounts. Due to the inherent nature and uncertainty of these estimates, actual results could differ, and the differences may be material.

1-O Postemployment Benefits Other Than Pensions

The Town maintains two separate other postemployment benefit plans (OPEB), as follows:

New Hampshire Retirement System Plan – For the purposes of measuring the total other postemployment benefit (OPEB) liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System OPEB Plan (the plan) and additions to/deductions from the plan's fiduciary net position has been determined on the same basis as they are reported by the New Hampshire Retirement System. For this purpose, the plan recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except money market investments and participating interest earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Single Employer Plan – For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information has been determined based on the Town's actuarial report. For this purpose, benefit payments are recognized when due and payable in accordance with benefit terms.

1-P Net Position/Fund Balances

Government-wide Statements – Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a further project.

Unrestricted net position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

Nonspendable – Amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, inventory or tax deeded property subject to resale); or (b) are legally or contractually required to be maintained intact.

Restricted – Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

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Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – Amounts that are constrained by the Town's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.

Unassigned – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When multiple net position/fund balance classifications are available for use, it is the government's policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

In the general fund, the Town strives to maintain an unassigned fund balance to be used for unanticipated emergencies of approximately 5%-15% of operating revenues or 8%-17% of general fund operating expenditures.

1-Q Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable, and the useful lives and impairment of tangible and intangible capital assets, among others. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town's operations. At its annual meeting, the Town adopts a budget for the current year for the general fund. Except as reconciled below, the budget was adopted on a basis consistent with U.S. generally accepted accounting principles (GAAP).

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2019, \$120,000 of the beginning general fund unassigned fund balance was applied for this purpose, \$100,000 was voted for emergency appropriations and \$35,021 was voted from unassigned fund balance as a transfer to the capital reserve funds.

2-B Budgetary Reconciliation to GAAP Basis

While the Town reports financial position, results of operations, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a basis of cash receipts, disbursements and encumbrances. The Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual is presented for each major governmental fund which had a budget.

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Differences between the budgetary basis and GAAP basis of accounting for the general fund are as follows:

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$3,461,911
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	55,855
To eliminate transfers between blended funds	(354,459)
Change in deferred tax revenue relating to 60-day revenue recognition	(39,622)
Per Exhibit C-3 (GAAP basis)	<u>\$3,123,685</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$3,216,476
Adjustment:	
Basis differences:	
Encumbrances, beginning	11,643
Encumbrances, ending	(15,330)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	138,200
To eliminate transfers between general and blended funds	(110,662)
Per Exhibit C-3 (GAAP basis)	<u>\$3,240,327</u>

2-C Accounting Change

Governmental Accounting Standards Board Statement No. 84, *Fiduciary Activities*, was implemented during fiscal year 2019. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. This Statement describes four fiduciary funds that should be reported, if applicable: (1) pension (and other employee benefit) trust funds, (2) investment trust funds, (3) private-purpose trust funds and (4) custodial funds. Custodial funds generally should report fiduciary activities that are not held in a trust of equivalent arrangement that meet specific criteria. This Statement also provides for recognition of a liability to the beneficiaries in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or other condition is required to be taken or met by the beneficiary to release the assets. Beginning net position for the fiduciary funds was restated to retroactively report the change in accounting principle, see Note 18 – Prior Period Adjustment.

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits was \$4,381,373 and the bank balances totaled \$4,440,259.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 584,380
Cash per Statement of Fiduciary Net Position (Exhibit E-1)	3,796,993
Total cash and cash equivalents	<u>\$4,381,373</u>

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NOTE 4 – RESTRICTED ASSETS

Cash and/or investments are classified as restricted for the following purposes:

Cash and cash equivalents:	
General fund:	
Library	\$ 58,402
Heritage	7,991
Crimeline gift	1,166
Liberty Elm tree	4,841
Total restricted cash and cash equivalents	<u>72,400</u>
Investments:	
General fund:	
Library	171,494
Capital reserve funds	260,630
Total restricted investments	<u>432,124</u>
Total restricted assets	<u><u>\$ 504,524</u></u>

NOTE 5 – INVESTMENTS

Note 1-E describes statutory requirements covering the investment of the Town funds. The Town holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the Town's mission, the Town determines that the disclosures related to these investments only need to be disaggregated by major type. The Town categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The Town has the following recurring fair value measurements and maturities as of December 31, 2019:

Investments type:	Valuation	Reported Balance	Less Than 1 Year	1-5 Years	Exempt from Disclosure
	Measurement Method				
Certificates of deposit	Level 1	\$ 509,449	\$ 356,822	\$ 152,627	\$ -
Common stock	Level 1	78,757	-	-	78,757
Corporate bonds	Level 2	491,438	-	-	491,438
Equity mutual funds	Level 1	220,751	-	-	220,751
Total fair value		<u>\$ 1,300,395</u>	<u>\$ 356,822</u>	<u>\$ 152,627</u>	<u>\$ 790,946</u>

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

Custodial Credit Risk – This is the risk that in the event of the failure of the counterparty (e.g. broker/dealer) to honor a transaction, 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. The Town does not have custodial credit risk policies for investments.

Concentration of Credit Risk – The Town places no limit on the amount it may invest in any one issuer. More than 5% of the Town's investments are in certificates of deposits, common stock, corporate bonds, and mutual funds. These investments are 39.17%, 6.06%, 37.79% and 16.98%, respectively, of the Town's total investments.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 960,404
Investments per Statement of Fiduciary Net Position (Exhibit E-1)	339,991
Total investments	<u><u>\$ 1,300,395</u></u>

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NOTE 6 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2019. The amount has been reduced by an allowance for an estimated uncollectible amount of \$25,000. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2019	\$ 512,399	\$ 512,399
Unredeemed (under tax lien):		
Levy of 2018	87,404	87,404
Levy of 2017	31,252	31,252
Levies of 2016 and prior	34,769	34,769
Less: allowance for estimated uncollectible taxes	(25,000) *	-
Net taxes receivable	<u>\$ 640,824</u>	<u>\$ 665,824</u>

*The allowance for uncollectible property taxes is not recognized under the modified accrual basis of accounting (Exhibit C-1 and C-3) due to the 60-day rule as explained in Note 1-B. However, the allowance is recognized under the full accrual basis of accounting (Exhibits A and B).

NOTE 7 – OTHER RECEIVABLES

Receivables at December 31, 2019, consisted of accounts (billings for police details, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

Receivables as of December 31, 2019 for the Town's individual major funds and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	General Fund	Fire Department Vehicle	Nonmajor Funds	Total
Receivables:				
Accounts	\$ 1,004	\$ 50,558	\$ 5,603	\$ 57,165
Less: allowance for uncollectibles	-	(19,822)	-	(19,822)
Net total receivables	<u>\$ 1,004</u>	<u>\$ 30,736</u>	<u>\$ 5,603</u>	<u>\$ 37,343</u>

NOTE 8 – CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2019 is as follows:

	Balance, beginning	Additions	Deletions	Balance, ending
At cost:				
Not being depreciated:				
Land	\$4,708,636	\$ -	\$ -	\$4,708,636
Being depreciated:				
Land improvements	17,216	173,021	-	190,237
Buildings and building improvements	1,649,634	18,093	-	1,667,727
Machinery, vehicles, and equipment	1,394,856	601,256	(37,000)	1,959,112
Infrastructure	3,221,955	-	-	3,221,955
Total capital assets being depreciated	<u>6,283,661</u>	<u>792,370</u>	<u>(37,000)</u>	<u>7,039,031</u>
Total all capital assets	<u>10,992,297</u>	<u>792,370</u>	<u>(37,000)</u>	<u>11,747,667</u>

(Continued)

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Capital assets continued:

	Balance, beginning	Additions	Deletions	Balance, ending
Less accumulated depreciation:				
Land improvements	(8,322)	(573)	-	(8,895)
Buildings and building improvements	(688,509)	(35,619)	-	(724,128)
Machinery, vehicles, and equipment	(758,065)	(62,729)	37,000	(783,794)
Infrastructure	(892,627)	(80,549)	-	(973,176)
Total accumulated depreciation	(2,347,523)	(179,470)	37,000	(2,489,993)
Net book value, capital assets being depreciated	3,936,138	612,900	-	4,549,038
Net book value, all governmental activities capital assets	\$8,644,774	\$612,900	\$ -	\$9,257,674

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

Governmental activities:

General government	\$ 5,890
Public safety	75,225
Highways and streets	81,548
Culture and recreation	16,807
Total depreciation expense	<u>\$ 179,470</u>

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2019 is as follows:

Receivable Fund	Payable Fund	Amount
General	Fire Department Vehicle	\$ 466
	Nonmajor	1,222
Nonmajor	Fire Department Vehicle	7,129
		<u>\$ 8,817</u>

The outstanding balances among funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2019 is as follows:

	<u>Transfers In:</u>
	General
	Fund
Transfers out:	
Fire Department vehicle fund	\$ 287,000
Nonmajor fund	8,067
Total	<u>\$ 295,067</u>

During the year, transfers are used to (1) move revenues from the fund with collection authority to the fund responsible for expenditure and (2) move general fund resources to provide an annual subsidy.

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NOTE 10 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$3,698,069 at December 31, 2019 consist of the following:

	Fiduciary Funds
Taxes due to the Hampton Falls School District	\$ 2,833,321
Taxes due to the Winnacunnet Cooperative School District	864,748
Total intergovernmental payables due	<u>\$ 3,698,069</u>

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of at December 31, 2019 consist of amounts related to pensions totaling \$237,584 and amounts related to OPEB totaling \$17,886. For further discussion on these amounts, see Note 13 and 14 respectively.

Deferred inflows of resources are as follows:

	Government- wide	General Fund
Deferred property taxes not collected within 60 days of fiscal year-end	\$ -	\$ 62,479
Donation revenue collected in advance of eligible expenditures being made	610	610
Amounts related to pensions, see Note 13	94,943	-
Amounts related to OPEB, see Note 14	275,608	-
Total deferred inflows of resources	<u>\$ 371,161</u>	<u>\$ 63,089</u>

NOTE 12 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2019:

	Balance January 1, 2019	Additions	Reductions	Balance December 31, 2019	Due Within One Year
General obligation bond	\$ 840,000	\$ -	\$ (120,000)	\$ 720,000	\$ 120,000
Compensated absences	48,334	13,202	-	61,536	-
Net pension liability	1,232,004	76,386	-	1,308,390	-
Net other postemployment benefits	378,858	19,364	-	398,222	-
Total long-term liabilities	<u>\$ 2,499,196</u>	<u>\$ 108,952</u>	<u>\$ (120,000)</u>	<u>\$ 2,488,148</u>	<u>\$ 120,000</u>

The long-term bond is comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2019	Current Portion
General obligation bond payable: 2010 refunding bond	<u>\$ 2,115,000</u>	2010	2025	3.96%	<u>\$ 720,000</u>	<u>\$ 120,000</u>

The annual requirements to amortize the general obligation bond outstanding as of December 31, 2019, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
2020	\$ 120,000	\$ 31,200	\$ 151,200
2021	120,000	26,160	146,160
2022	120,000	21,060	141,060
2023	120,000	15,900	135,900
2024	120,000	10,650	130,650
2025	120,000	5,400	125,400
Totals	<u>\$ 720,000</u>	<u>\$ 110,370</u>	<u>\$ 830,370</u>

All debt is general obligation debt of the Town, which is backed by its full faith and credit, and will be repaid from general governmental revenues.

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NOTE 13 – DEFINED BENEFIT PENSION PLAN

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system that administers a cost-sharing multiple-employer defined benefit pension plan (Pension Plan), a component unit of the State of New Hampshire, as defined in Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* – an amendment of GASB Statement No. 25. The Pension Plan was established in 1967 by RSA 100-A:2 and is qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The Pension Plan is a contributory, defined benefit plan providing service, disability, death and vested retirement benefits to members and their beneficiaries. Substantially all full-time State employees, public school teachers and administrators, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan. The System issues a publicly available financial report that may be obtained by writing the New Hampshire Retirement System, 54 Regional Drive, Concord, NH 03301.

Benefits Provided – 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. All assets are held in a single trust and available to pay retirement benefits to all members.

Group I members at age 60 or 65 (for members who commence service after July 1, 2011) qualify for a normal service retirement allowance based on years of creditable service and average final salary for the highest of either three or five years, depending on when their service commenced. The yearly pension amount is 1/60 or 1.667% of average final compensation (AFC) multiplied by years of creditable service. At age 65, the yearly pension amount is recalculated at 1/66 or 1.515% of AFC multiplied by years of creditable service.

Group II members who are age 60, or members who are at least age 45 with at least 20 years of creditable service, can receive a retirement allowance at a rate of 2.5% of AFC for each year of creditable service, not to exceed 40 years. Members commencing service on or after July 1, 2011 or members who have nonvested status as of January 1, 2012 can receive a retirement allowance at age 52.5 with 25 years of service or age 60. The benefit shall be equal to 2% of AFC times creditable service up to 42.5 years. However, a member who commenced service on or after July 1, 2011 shall not receive a retirement allowance until attaining the age of 52.5, but may receive a reduced allowance after age 50 if the member has at least 25 years of creditable service where the allowance shall be reduced, for each month by which the member attains 52.5 years of age by $\frac{1}{4}$ of 1% or age 60.

Members of both groups may qualify for vested deferred allowances, disability allowances and death benefit allowances, subject to meeting various eligibility requirements. Benefits are based on AFC or earnable compensation and/or service.

Contributions - The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Group I (employee and teacher) members are required to contribute 7% of earnable compensation and Group II (police and fire) members contribute 11.55% and 11.80% respectively. For fiscal year 2019, the Town contributed 25.33% for police, 27.79% for fire and 11.08% for other employees through June 30, 2019. From July 1, 2019 through December 31, 2019 the Town contributed 24.77% for police, 26.43% for fire and 10.88% for other employees. The contribution requirement for the fiscal year 2019 was \$118,337, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2019 the Town reported a liability of \$1,308,390 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 that date. 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 towns and school districts, actuarially determined. At June 30, 2019, the Town's proportion was 0.03% which was an increase of 0.002% from its proportion measured as of June 30, 2018.

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For the year ended December 31, 2019, the Town recognized pension expense of \$165,018. At December 31, 2019 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 120,719	\$ 56,121
Changes in assumptions	46,945	-
Net difference between projected and actual investment earnings on pension plan investments	-	10,688
Differences between expected and actual experience	7,234	28,134
Contributions subsequent to the measurement date	62,686	-
Total	<u>\$ 237,584</u>	<u>\$ 94,943</u>

The \$62,686 reported as deferred outflows of resources related to pensions results from the Town 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:

Fiscal Year Ending December 31,	
2020	\$ 55,929
2021	7,098
2022	1,679
2023	15,249
Thereafter	-
Totals	<u>\$ 79,955</u>

Actuarial Assumptions – The collective total pension liability was based on the following assumptions:

Inflation:	2.5%
Salary increases:	5.6% average, including inflation
Wage inflation	3.25% (3.00% for teachers)
Investment rate of return:	7.25% net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on last experience study.

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, 2010 – June 30, 2015.

Long-term Rates of Return – The long-term expected rate of return on pension plan investment 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 rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation.

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Following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2019
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	9.00%	1.12%
Global Multi-Sector Fixed Income	10.00%	2.46%
Absolute Return Fixed Income	6.00%	1.50%
Total fixed income	25.00%	
Private equity	10.00%	7.90%
Private debt	5.00%	4.86%
Total alternative investments	15.00%	
Real estate	10.00%	3.00%
Total	100.00%	

Discount Rate – The discount rate used to measure the collective total pension liability was 7.25%. 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 service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan's actuarial funding policy 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 investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table 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 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2019	\$ 1,751,988	\$ 1,308,390	\$ 941,760

Pension Plan Fiduciary Net Position – Detailed information about the pension plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit Pension Plan financial report.

NOTE 14 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

14-A New Hampshire Retirement System (NHRS)

Plan Description – The New Hampshire Retirement System (NHRS or the System) is a public employee retirement system which administers a cost-sharing multiple-employer other postemployment benefit (OPEB) plan. For additional system information, please refer to the 2019 Comprehensive Annual Financial Report, which can be found on the system's website at www.nhrs.org.

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Benefits Provide - Benefit amounts and eligibility requirements for the OPEB Plan are set by State law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The four membership types are Group II, Police Officers and Firefighters; Group I, Teachers; Group I, Political Subdivision Employees; and Group I, State Employees. The OPEB 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.

Maximum medical subsidy rates paid during fiscal year 2019 were as follows:

For qualified retirees not eligible for Medicare, the amounts were \$375.56 for a single-person plan and \$751.12 for a two-person plan.

For those qualified retirees eligible for Medicare, the amounts were \$236.84 for a single-person plan and \$473.68 for a two-person plan.

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2018, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2019, the Town contributed 4.10% for police and fire, and 0.30% for other employees through June 30, 2019. From July 1, 2019 through December 31, 2019 the Town contributed 3.66% for police and fire, and 0.29% for other employees. The contribution requirement for the fiscal year 2019 was \$16,210, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At December 31, 2019, the Town reported a liability of \$162,968 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Town's proportion of the net OPEB liability was based on a projection of the Town's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2019, the Town's proportion was 0.04% which was an increase of 0.01% from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Town recognized OPEB expense of \$30,288. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 1,184	\$ -
Net difference between projected and actual investment earnings on OPEB plan investments	-	183
Differences between expected and actual experience	-	284
Contributions subsequent to the measurement date	8,061	-
Total	<u>\$ 9,245</u>	<u>\$ 467</u>

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The \$8,061 reported as deferred outflows of resources related to OPEB results from the Town 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 will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	
2020	\$ 779
2021	(121)
2022	13
2023	46
Thereafter	-
Totals	<u>\$ 717</u>

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

Inflation:	2.5 %
Wage inflation:	3.25 % (3.00%) for teachers
Salary increases:	5.6 % average, including inflation
Investment rate of return:	7.25 % net of OPEB plan investment expense, including inflation for determining solvency contributions

Mortality rates were based on the RP-2014 healthy annuitant and employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on last experience study.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

Long-term Rates of Return – The long-term expected rate of return on OPEB plan investment 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 rate of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	Weighted average long-term expected real rate of return
		2019
Large Cap Equities	22.50%	4.25%
Small/Mid Cap Equities	7.50%	4.50%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	4.50%
Emerging Int'l Equities	7.00%	6.00%
Total international equity	20.00%	
Core Bonds	9.00%	1.12%
Global Multi-Sector Fixed Income	10.00%	2.46%
Absolute Return Fixed Income	6.00%	1.50%
Total fixed income	25.00%	
Private equity	10.00%	7.90%
Private debt	5.00%	4.86%
Total alternative investments	15.00%	
Real estate	10.00%	3.00%
Total	100.00%	

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Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2019 was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and 100-A:53. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of 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 collective total OPEB liability.

Sensitivity of the Town's Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the OPEB liability calculated using the discount rate of 7.25% as well as what the Town's proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-percentage point higher (8.25%) than the current rate:

Actuarial Valuation Date	1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
June 30, 2019	\$ 176,764	\$ 162,968	\$ 150,981

Sensitivity of the Town's Proportionate Share of the OPEB Liability to Changes in the Healthcare Cost Trend Assumption – GASB No. 75 requires the sensitivity of the OPEB liability to the healthcare cost trend assumption. Since the medical subsidy benefits are fixed stipends, there is no sensitivity to changes in the healthcare cost trend assumption.

OPEB Plan Fiduciary Net Position – Detailed information about the OPEB plan's fiduciary net position is available in the separately issued New Hampshire Retirement System Cost-Sharing Multiple Employer Defined Benefit OPEB Plan financial report.

14-B Town of Hampton Falls Retiree Health Benefit Program

Plan Description – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment 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 postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

Benefits Provided – The Town provides postemployment healthcare benefits for certain eligible retirees. The Town provides medical benefits to its eligible retirees. The benefits are provided through the New Hampshire Inter-Local Trust.

Employees Covered by Benefit Terms – At January 1, 2018, seven active employees were covered by the benefit terms.

Total OPEB Liability – The Town's total OPEB liability of \$235,254 was measured as of January 1, 2019, and was determined by an actuarial valuation of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$235,254 in the January 1, 2019 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:	3.44%
Healthcare Cost Trend Rates:	
Current Year Trend	9.50%
Second Year Trend	9.00%
Decrement	50.00%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2028
Salary Increases:	1.32%

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 January 1, 2018.

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Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MP-2017.

Changes in the Total OPEB Liability

	December 31,	
	2018	2019
OPEB liability beginning of year	\$ 204,295	\$ 219,808
Changes for the year:		
Service cost	14,486	14,677
Interest	7,012	7,539
Assumption changes and difference between actual and expected experience	(5,067)	(5,447)
Benefit payments	(918)	(1,323)
OPEB liability end of year	<u>\$ 219,808</u>	<u>\$ 235,254</u>

Sensitivity of the Town's OPEB Liability to Changes in the Discount Rate – The January 1, 2018 actuarial valuation was prepared using a discount rate of 3.44%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$183,844 or by 21.85%. If the discount rate were 1% lower than what was used the OPEB liability would decrease to \$218,257 or by 7.22%.

	Discount Rate		
	1% Decrease	Baseline 3.44%	1% Increase
Total OPEB Liability	<u>\$ 218,257</u>	<u>\$ 235,254</u>	<u>\$ 183,844</u>

Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The January 1, 2018 actuarial valuation was prepared using an initial trend rate of 9.50%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$261,337 or by 11.09%. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$212,286 or by 9.76%.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 9.50%	1% Increase
Total OPEB Liability	<u>\$ 212,286</u>	<u>\$ 235,254</u>	<u>\$ 261,337</u>

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2019, the Town recognized OPEB expense of \$22,487. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 8,641	\$ -
Differences between expected and actual experience	-	275,141
Total	<u>\$ 8,641</u>	<u>\$ 275,141</u>

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

Fiscal Year Ending December 31,	
2020	\$ (44,703)
2021	(44,703)
2022	(44,703)
2023	(135,112)
2024	2,721
Thereafter	-
Totals	<u>\$ (266,500)</u>

NOTE 15 – ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2019 and are as follows:

General fund:	
General government	\$ 2,000
Public safety	13,330
Total encumbrances	<u>\$ 15,330</u>

NOTE 16 – GOVERNMENTAL ACTIVITIES NET POSITION

Governmental activities net position reported on the Statement of Net Position at December 31, 2019 include the following:

	Governmental Activities	Fiduciary Funds
Net investment in capital assets:		
Net book value, all capital assets	\$ 9,257,674	\$ -
Less:		
General obligation bond payable	(720,000)	-
Total net investment in capital assets	<u>8,537,674</u>	<u>-</u>
Restricted net position:		
Perpetual care - nonexpendable	152,046	-
Perpetual care - expendable	19,413	-
Individuals, organizations and other governments	-	438,915
Total restricted net position	<u>171,459</u>	<u>438,915</u>
Unrestricted	93,541	-
Total net position	<u>\$ 8,802,674</u>	<u>\$ 438,915</u>

NOTE 17 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2019 include the following:

	General Fund	Conservation Commission	Fire Department Vehicle	Nonmajor Funds	Total Governmental Funds
Nonspendable:					
Permanent fund - principal balance	\$ -	\$ -	\$ -	\$ 152,046	\$ 152,046

(Continued)

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Governmental fund balances continued:

	General Fund	Conservation Commission	Fire Department Vehicle	Nonmajor Funds	Total Governmental Funds
Restricted:					
Library	229,896	-	-	-	229,896
Crimeline gift	1,166	-	-	-	1,166
Liberty elm tree	4,841				4,841
Permanent - income balance	-	-	-	19,413	19,413
Total restricted fund balance	235,903	-	-	19,413	255,316
Committed:					
Expendable trusts	229,785	-	-	-	229,785
Heritage	7,991	-	-	-	7,991
Conservation commission	-	444,348		-	444,348
Fire department vehicle	-	-	76,126	-	76,126
Recreation	-	-	-	23,059	23,059
Fire detail	-	-	-	7,351	7,351
Police detail	-	-	-	64,579	64,579
Town communications	-	-	-	64,121	64,121
Total committed fund balance	237,776	444,348	76,126	159,110	917,360
Assigned:					
Encumbrances	15,330	-	-	-	15,330
All other	-	-	-	9,918	9,918
Total assigned fund balance	15,330	-	-	9,918	25,248
Unassigned	772,298	-	-	-	772,298
Total governmental fund balances	\$ 1,261,307	\$ 444,348	\$ 76,126	\$ 340,487	\$ 2,122,268

NOTE 18 – PRIOR PERIOD ADJUSTMENT

Net position at January 1, 2019 was restated to give retroactive effect to the following prior period adjustment:

	Fiduciary Funds
To restate for the cumulative changes related to implementation of GASB Statement No. 84.	\$ 336,533
Net position as previously reported	-
Net position as restated	\$ 336,533

NOTE 19 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2019, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2019 to December 31, 2019 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the

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

member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In 2019 the Town paid \$28,233 and \$25,307 respectively, to Primex for property, liability and worker's compensation. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

The Town continues to carry commercial insurance for all other risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 20 – RELATED PARTY TRANSACTIONS

The Town was provided plowing and winter road maintenance services from Environmental Landscape Management in 2019. This company is owned by a member of the Board of Selectmen (through March 2019). Total payments to this company during 2019 were \$74,988 and there was no amount owed to or from the company at year end.

NOTE 21 – CONTINGENT LIABILITIES

The Town participates in various federal grant programs, the principal of which are subject to program compliance audits pursuant to the Single Audit Act as amended. Accordingly, the government's compliance with applicable grant requirements will be established at a future date. The amount of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the government anticipates such amounts, if any, will be immaterial.

NOTE 22 – TAX ABATEMENTS

Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*, defines tax abatements as a reduction in tax revenues that results from an agreement between one or more governments and an individual or entity in which (a) one or more governments promise to forgo tax revenues to which they are otherwise entitled and (b) the individual or entity promises to take a specific action after the agreement has been entered into that contributes to economic development or otherwise benefits the governments or the citizens of those governments.

The Town has no such agreement in place for the year ended December 31, 2019.

NOTE 23 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date, but arose after the date. Management has evaluated subsequent events through May 7, 2020, the date the December 31, 2019 financial statements were available to be issued, and the following event occurred that requires recognition or disclosure:

On March 11, 2020, the World Health Organization declared, the outbreak of a coronavirus (COVID-19), a pandemic. As a result, economic uncertainties have arisen which are likely to negatively impact any investments held by the Town which are measured at fair value. Other financial impact could occur though such potential impact is unknown at this time.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2019

	December 31,						
	2013	2014	2015	2016	2017	2018	2019
Town's:							
Town's proportion of the net pension liability	0.03%	0.03%	0.03%	0.02%	0.03%	0.03%	0.03%
Town's proportionate share of the net pension liability	\$ 1,195,148	\$ 993,045	\$ 993,773	\$ 1,246,285	\$ 1,328,064	\$ 1,232,004	\$ 1,308,390
Town's covered payroll	\$ 507,692	\$ 450,362	\$ 433,675	\$ 395,224	\$ 492,376	\$ 489,449	\$ 523,038
Town's proportionate share of the net pension liability as a percentage of its covered payroll	235.41%	220.50%	229.15%	315.34%	269.73%	251.71%	250.15%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%

EXHIBIT G
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Schedule of Town Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2019

	December 31,						
	2013	2014	2015	2016	2017	2018	2019
Contractually required contribution	\$ 69,050	\$ 85,829	\$ 84,159	\$ 83,923	\$ 98,928	\$ 108,140	\$ 118,335
Contributions in relation to the contractually required contributions	69,050	85,829	84,159	83,923	98,928	108,140	118,335
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 507,692	\$ 450,362	\$ 433,675	\$ 395,224	\$ 492,376	\$ 489,449	\$ 523,038
Contributions as a percentage of covered payroll	13.60%	19.06%	19.41%	21.23%	20.09%	22.09%	22.62%

The Note to the Required Supplementary Information – Pension Liability is an integral part of this schedule.

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

***Schedule of the Town's Proportionate Share of Net Pension Liability and
Schedule of Town Contributions - Pensions***

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the Town's pension plan at December 31, 2019. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2019:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	21 years beginning July 1, 2018 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.13% per year
Investment Rate of Return	7.25% per year, net of investment expenses, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

Other Information:

Notes	Contribution rates for fiscal year 2019 were determined based on the benefit changes adopted under House Bill No. 2 as amended by 011-2513-CofC.
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EXHIBIT H
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefits Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2019

	December 31,			
	2016	2017	2018	2019
Town's proportion of the net OPEB liability	0.02%	0.02%	0.03%	0.04%
Town's proportionate share of the net OPEB liability (asset)	\$ 99,844	\$ 113,286	\$ 159,050	\$ 162,968
Town's covered payroll	\$ 395,224	\$ 492,376	\$ 489,449	\$ 523,038
Town's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	25.26%	23.01%	32.50%	31.16%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT I
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Schedule of Town Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2019

	December 31,			
	2016	2017	2018	2019
Contractually required contribution	\$ 14,685	\$ 11,984	\$ 15,366	\$ 16,964
Contributions in relation to the contractually required contribution	14,685	11,984	15,366	16,964
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 395,224	\$ 492,376	\$ 489,449	\$ 523,038
Contributions as a percentage of covered payroll	3.72%	2.43%	3.14%	3.24%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

EXHIBIT J
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios
Retiree Health Benefit Program
For the Fiscal Year Ended December 31, 2019

	December 31,		
	2017	2018	2019
OPEB liability, beginning of year	\$ 520,589	\$ 204,295	\$ 219,808
Changes for the year:			
Service cost	12,076	14,486	14,677
Interest	20,784	7,012	7,539
Assumption changes	11,601	-	-
Difference between actual and expected experience	(356,253)	(5,067)	(5,447)
Change in actuarial cost method	(2,516)	-	-
Benefit payments	(1,986)	(918)	(1,323)
OPEB liability, end of year	<u>\$ 204,295</u>	<u>\$ 219,808</u>	<u>\$ 235,254</u>
Covered payroll	<u>\$ 337,534</u>	<u>\$ 472,020</u>	<u>\$ 478,251</u>
Total OPEB liability as a percentage of covered payroll	60.53%	46.57%	49.19%

The Notes to the Required Supplementary Information – Other Postemployment Benefit Liability is an integral part of this schedule.

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

***Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability and
Schedule of Town Contributions – Other Postemployment Benefits***

As required by GASB Statement No. 75, Exhibits H and I represent the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2019. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

There were no changes to benefit terms or assumptions in the current actuarial valuation report.

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	3.13% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions.
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2015.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

Schedule of Changes in Town's Total Other Postemployment Benefits Liability and Related Ratios

As required by GASB Statement No. 75, Exhibit J represents the actuarial determined costs associated with the Town's other postemployment benefits at December 31, 2019. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2019

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,675,727	\$ 1,702,527	\$ 26,800
Land use change	100	-	(100)
Yield	100	-	(100)
Payment in lieu of taxes	13,000	13,012	12
Interest and penalties on taxes	35,000	28,510	(6,490)
Total from taxes	<u>1,723,927</u>	<u>1,744,049</u>	<u>20,122</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	2,000	2,355	355
Motor vehicle permit fees	650,000	725,507	75,507
Building permits	30,000	42,923	12,923
Other	14,000	15,309	1,309
Total from licenses, permits, and fees	<u>696,000</u>	<u>786,094</u>	<u>90,094</u>
Intergovernmental:			
State:			
Shared revenues	14,343	14,343	-
Meals and rooms distribution	117,274	117,274	-
Highway block grant	70,875	70,768	(107)
Other	8,500	8,500	-
Federal:			
Other	-	859	859
Total from intergovernmental	<u>210,992</u>	<u>211,744</u>	<u>752</u>
Charges for services:			
Income from departments	<u>6,000</u>	<u>7,641</u>	<u>1,641</u>
Miscellaneous:			
Sale of municipal property	100	-	(100)
Interest on investments	20,000	37,728	17,728
Other	26,250	25,129	(1,121)
Total from miscellaneous	<u>46,350</u>	<u>62,857</u>	<u>16,507</u>
Other financing sources:			
Transfers in	<u>553,350</u>	<u>649,526</u>	<u>96,176</u>
Total revenues and other financing sources	3,236,619	<u>\$ 3,461,911</u>	<u>\$ 225,292</u>
Unassigned fund balance used to reduce tax rate	120,000		
Amounts voted from fund balance	35,021		
Emergency appropriations	100,000		
Total revenues, other financing sources, and use of fund balance	<u>\$ 3,491,640</u>		

SCHEDULE 2
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2019

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 115,765	\$ 111,304	\$ -	\$ 4,461
Election and registration	-	78,740	56,363	-	22,377
Financial administration	4,700	133,785	124,432	-	14,053
Legal	-	17,000	8,187	-	8,813
Personnel administration	-	351,720	305,554	-	46,166
Planning and zoning	-	40,020	31,914	2,000	6,106
General government buildings	-	54,395	43,165	-	11,230
Cemeteries	-	18,300	13,375	-	4,925
Insurance, not otherwise allocated	-	29,500	28,233	-	1,267
Other	-	24,000	8,058	-	15,942
Total general government	4,700	863,225	730,585	2,000	135,340
Public safety:					
Police	-	534,473	530,323	685	3,465
Ambulance	-	88,630	86,698	-	1,932
Fire	-	199,865	198,092	12,645	(10,872)
Building inspection	-	45,960	43,529	-	2,431
Emergency management	-	10,100	4,216	-	5,884
Total public safety	-	879,028	862,858	13,330	2,840
Highways and streets:					
Highways and streets	-	339,200	234,533	-	104,667
Street lighting	-	4,000	3,903	-	97
Total highways and streets	-	343,200	238,436	-	104,764
Sanitation:					
Solid waste collection	-	154,720	154,415	-	305
Solid waste disposal	-	55,025	48,120	-	6,905
Total sanitation	-	209,745	202,535	-	7,210
Health:					
Administration	-	7,660	11,508	-	(3,848)
Pest control	5,000	18,220	21,181	-	2,039
Health agencies	-	25,160	25,160	-	-
Total health	5,000	51,040	57,849	-	(1,809)
Welfare:					
Administration and direct assistance	-	7,000	2,961	-	4,039
Culture and recreation:					
Parks and recreation	-	26,710	17,777	-	8,933
Library	-	164,380	167,520	-	(3,140)
Patriotic purposes	-	600	476	-	124
Total culture and recreation	-	191,690	185,773	-	5,917
Conservation	-	5,100	2,567	-	2,533
Debt service:					
Principal of long-term debt	-	120,000	120,000	-	-
Interest on long-term debt	-	29,950	29,950	-	-
Interest on tax anticipation notes	-	1,000	-	-	1,000
Total debt service	-	150,950	149,950	-	1,000

(Continued)

SCHEDULE 2 (Continued)
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Major General Fund

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

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Capital outlay	1,943	680,000	668,613	-	13,330
Other financing uses:					
Transfers out	-	110,662	110,662	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 11,643	\$ 3,491,640	\$ 3,212,789	\$ 15,330	\$ 275,164

SCHEDULE 3
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2019

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 564,342
Changes:		
Unassigned fund balance used to reduce 2019 tax rate		(120,000)
Amounts voted from fund balance		(35,021)
Emergency appropriations		(100,000)
2019 Budget summary:		
Revenue surplus (Schedule 1)	\$ 225,292	
Unexpended balance of appropriations (Schedule 2)	275,164	
2019 Budget surplus		500,456
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		809,777
Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(62,479)
Elimination of the allowance for uncollectible taxes		25,000
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		\$ 772,298

SCHEDULE 4
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2019

	Special Revenue Funds					Permanent Fund	Total
	Recreation	Fire Detail	Police Detail	All Other	Town Communications		
ASSETS							
Cash and cash equivalents	\$ 23,059	\$ 222	\$ 60,198	\$ 9,918	\$ 64,121	\$ -	\$ 157,518
Investments	-	-	-	-	-	171,459	171,459
Accounts receivable, net of allowance for uncollectible	-	-	5,603	-	-	-	5,603
Interfund receivable	-	7,129	-	-	-	-	7,129
Total assets	<u>\$ 23,059</u>	<u>\$ 7,351</u>	<u>\$ 65,801</u>	<u>\$ 9,918</u>	<u>\$ 64,121</u>	<u>\$ 171,459</u>	<u>\$ 341,709</u>
LIABILITIES, AND FUND BALANCES							
Liabilities:							
Interfund payable	\$ -	\$ -	\$ 1,222	\$ -	\$ -	\$ -	\$ 1,222
Fund balances:							
Nonspendable	-	-	-	-	-	152,046	152,046
Restricted	-	-	-	-	-	19,413	19,413
Committed	23,059	7,351	64,579	-	64,121	-	159,110
Assigned	-	-	-	9,918	-	-	9,918
Total fund balances	<u>23,059</u>	<u>7,351</u>	<u>64,579</u>	<u>9,918</u>	<u>64,121</u>	<u>171,459</u>	<u>340,487</u>
Total liabilities and fund balances	<u>\$ 23,059</u>	<u>\$ 7,351</u>	<u>\$ 65,801</u>	<u>\$ 9,918</u>	<u>\$ 64,121</u>	<u>\$ 171,459</u>	<u>\$ 341,709</u>

SCHEDULE 5
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2019

	Special Revenue Funds					Permanent	
	Recreation	Fire Detail	Police Detail	All Other	Town Communications	Fund	Total
REVENUES							
Charges for services	\$ 11,581	\$ 1,711	\$ 38,225	\$ -	\$ -	\$ -	\$ 51,517
Miscellaneous	498	31	1,947	9,611	33,771	24,758	70,616
Total revenues	<u>12,079</u>	<u>1,742</u>	<u>40,172</u>	<u>9,611</u>	<u>33,771</u>	<u>24,758</u>	<u>122,133</u>
EXPENDITURES							
Current:							
General government	-	-	-	-	28,286	-	28,286
Public safety	-	1,530	51,336	-	-	-	52,866
Culture and recreation	9,534	-	-	7,973	-	-	17,507
Total expenditures	<u>9,534</u>	<u>1,530</u>	<u>51,336</u>	<u>7,973</u>	<u>28,286</u>	<u>-</u>	<u>98,659</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,545</u>	<u>212</u>	<u>(11,164)</u>	<u>1,638</u>	<u>5,485</u>	<u>24,758</u>	<u>23,474</u>
OTHER FINANCING USES							
Transfers out	-	(4,250)	-	-	-	(3,817)	(8,067)
Net change in fund balances	2,545	(4,038)	(11,164)	1,638	5,485	20,941	15,407
Fund balances, beginning	20,514	11,389	75,743	8,280	58,636	150,518	325,080
Fund balances, ending	<u>\$ 23,059</u>	<u>\$ 7,351</u>	<u>\$ 64,579</u>	<u>\$ 9,918</u>	<u>\$ 64,121</u>	<u>\$ 171,459</u>	<u>\$ 340,487</u>

SCHEDULE 6
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Fiduciary Net Position
December 31, 2019

	Custodial Funds			
	Taxes	School Trust Funds	Impact Fees	Total
ASSETS				
Cash and cash equivalents	\$ 3,698,069	\$ -	\$ 98,924	\$ 3,796,993
Investments	-	339,991	-	339,991
Total assets	<u>\$ 3,698,069</u>	<u>\$ 339,991</u>	<u>\$ 98,924</u>	<u>\$ 4,136,984</u>
LIABILITIES, AND NET POSITION				
Liabilities:				
Intergovernmental payables:				
School	<u>\$ 3,698,069</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,698,069</u>
Net Position:				
Restricted	-	339,991	98,924	438,915
Total liabilities and net position	<u>\$ 3,698,069</u>	<u>\$ 339,991</u>	<u>\$ 98,924</u>	<u>\$ 4,136,984</u>

SCHEDULE 7
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2019

	Custodial Funds			Total
	Taxes	School Trust Funds	Impact Fees	
ADDITIONS				
Tax collections for other governments	\$ 8,928,000	\$ -	\$ -	\$ 8,928,000
Contributions	-	75,000	71,357	146,357
Investment earnings	-	7,677	2,683	10,360
Change in fair market value	-	18,743	-	18,743
Total additions	<u>8,928,000</u>	<u>101,420</u>	<u>74,040</u>	<u>9,103,460</u>
DEDUCTIONS				
Payments of taxes to other governments	8,928,000	-	6,738	8,934,738
Payments for escrow purposes	-	-	66,340	66,340
Total deductions	<u>8,928,000</u>	<u>-</u>	<u>73,078</u>	<u>9,001,078</u>
Change in net position	-	101,420	962	102,382
Net position, beginning, as restated (see Note 18)	-	238,571	97,962	336,533
Net position, ending	<u>\$ -</u>	<u>\$ 339,991</u>	<u>\$ 98,924</u>	<u>\$ 438,915</u>



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

193 North Main Street • Concord • New Hampshire • 03301-5063 • 603-225-6996 • FAX 603-224-1380

INDEPENDENT AUDITOR'S COMMUNICATION OF MATERIAL WEAKNESSES AND SIGNIFICANT DEFICIENCY

To the Members of the Board of Selectmen
Town of Hampton Falls
Hampton Falls, New Hampshire

In planning and performing our audit of the financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Town of Hampton Falls 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 of Hampton Falls' internal control over financial reporting as a basis for designing audit procedures that are appropriate in circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and correct, on a timely basis. We consider the following deficiencies in the Town of Hampton Falls' internal control to be material weaknesses:

General Ledger Maintenance

During our testing of the general ledger accounts (specifically the due to/from trusts) it was determined that accounts are not being properly reconciled and maintained. Interfund balances identified in previous years are not being paid over in a timely manner and are left to accumulate year to year. Invoices were posted to due to/from accounts incorrectly and were not identified. Key accounting tasks such as monthly reconciliations play a key role in proving the accuracy of accounting data and information included in interim financial statements. The various other funds and accounts are not at all times aware of what is owed to and/or from the general fund. We recommend that the Town establish more effective review and reconciliation policies and procedures as a customary part of the accounting process. Particular attention should be given to interfund receivables and payable accounts.

Cash Reconciliations

The accounting department is not completing a monthly cash reconciliation of the general ledger cash balance to the bank. There is therefore no way to accurately reconcile the general ledger cash balance to the Treasurer's cash balance. It was also noted that differences between the Treasurer's cash balance and the general ledger identified during the reconciliation process are not being properly followed up on. In order to complete the reconciliation of the cash balances between the Treasurer's records and the general ledger any variances noted should be properly investigated and resolved. The Town's general ledger cash balance should agree to the Treasurer's cash balance on a monthly basis. By not completing their own reconciliation it makes the process of reconciling to the Treasurer difficult. This lack of reconciliation can lead to activity that is missing or inaccurate in the general ledger. For example, funds were deposited into the general fund and then transferred to a special fund by the Treasurer but were never recorded as being paid out in the general ledger. We recommend that the accounting department reconcile the general ledger cash balance to the bank monthly and that this reconciliation be tied to the Treasurer's reconciliation each month.

Town of Hampton Falls

Independent Auditor's Communication of Material Weaknesses and Significant Deficiency

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. We consider the following deficiency in internal control to be a significant deficiency:

Other Special Funds

There are several Town funds that are not being recorded in the Town's general ledger. The Treasurer is maintaining these funds in QuickBooks and deposits and disbursements are not being processed through the internal controls and procedures approved by the Board of Selectmen. All of the Town's funds should be tracked in the general ledger and processed through the same procedures as the general fund in order to provide accurate reporting on amounts. We recommend that the Town consider adding the other special funds to the general ledger system as their own unique fund. Once added activity in those funds should be recorded and processed through the same procedures as the general fund.

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

May 7, 2020

*Plodzik & Sanderson
Professional Association*