

**TOWN OF HAMPTON FALLS,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020**

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
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DECEMBER 31, 2020

TABLE OF CONTENTS

	<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT	1 - 2
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
A Statement of Net Position	3
B Statement of Activities	4
Fund Financial Statements	
<i>Governmental Funds</i>	
C-1 Balance Sheet	5
C-2 Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	6
C-3 Statement of Revenues, Expenditures, and Changes in Fund Balances.....	7
C-4 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities	8
<i>Budgetary Comparison Information</i>	
D Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	9
<i>Fiduciary Funds</i>	
E-1 Statement of Fiduciary Net Position	10
E-2 Statement of Changes in Fiduciary Net Position	11
NOTES TO THE BASIC FINANCIAL STATEMENTS	12 - 35
REQUIRED SUPPLEMENTARY INFORMATION	
F Schedule of the Town's Proportionate Share of Net Pension Liability	36
G Schedule of Town Contributions – Pensions	37
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY	38
H Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability	39
I Schedule of Town Contributions – Other Postemployment Benefits	40
J Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios	41
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS LIABILITY	42
COMBINING AND INDIVIDUAL FUND SCHEDULES	
Governmental Funds	
<i>Major General Fund</i>	
1 Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	43
2 Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis).....	44 - 45
3 Schedule of Changes in Unassigned Fund Balance.....	46
<i>Nonmajor Governmental Funds</i>	
4 Combining Balance Sheet	47
5 Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	48
<i>Custodial Funds</i>	
6 Combining Schedule of Fiduciary Net Position	49
7 Combining Schedule of Changes in Fiduciary Net Position	50
INDEPENDENT AUDITOR'S COMMUNICATION OF MATERIAL WEAKNESS AND SIGNIFICANT DEFICIENCY	
	51 - 52



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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, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

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.

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

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 Falls' 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.

*Blodzik & Sanderson
Professional Association*

June 28, 2021

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Statement of Net Position
December 31, 2020

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 792,001
Investments	1,306,434
Taxes receivables (net)	396,000
Account receivables (net)	30,440
Capital assets:	
Land and construction in progress	4,722,636
Other capital assets, net of depreciation	4,371,788
Total assets	<u>11,619,299</u>
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	472,861
Amounts related to other postemployment benefits	28,484
Total deferred outflows of resources	<u>501,345</u>
LIABILITIES	
Accounts payable	50,647
Accrued interest payable	9,810
Long-term liabilities:	
Due within one year	120,000
Due in more than one year	2,481,047
Total liabilities	<u>2,661,504</u>
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - property taxes	19,031
Unavailable revenue - Donation	610
Amounts related to pensions	66,685
Amounts related to other postemployment benefits	364,697
Total deferred inflows of resources	<u>451,023</u>
NET POSITION	
Net investment in capital assets	8,494,424
Restricted	176,190
Unrestricted	337,503
Total net position	<u>\$ 9,008,117</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, 2020

		Program Revenues			Net (Expense)
		Charges	Operating	Capital	Revenue and
		for	Grants and	Grants and	Change In
	Expenses	Services	Contributions	Contributions	Net Position
General government	\$ 886,061	\$ 2,558	\$ 63,329	\$ -	\$ (820,174)
Public safety	1,047,701	81,744	52,995	-	(912,962)
Highways and streets	429,439	-	-	69,852	(359,587)
Sanitation	227,071	2,741	-	-	(224,330)
Health	56,436	-	-	-	(56,436)
Welfare	2,000	-	-	-	(2,000)
Culture and recreation	239,034	11,625	-	-	(227,409)
Conservation	2,367	-	-	-	(2,367)
Interest on long-term debt	23,292	-	-	-	(23,292)
Total governmental activities	<u>\$ 2,913,401</u>	<u>\$ 98,668</u>	<u>\$ 116,324</u>	<u>\$ 69,852</u>	<u>(2,628,557)</u>
General revenues:					
Taxes:					
Property					1,578,757
Other					99,024
Motor vehicle permit fees					727,039
Licenses and other fees					79,852
Grants and contributions not restricted to specific programs					133,488
Unrestricted investment earnings					79,541
Miscellaneous					136,299
Total general revenues					<u>2,834,000</u>
Change in net position					205,443
Net position, beginning					8,802,674
Net position, ending					<u>\$ 9,008,117</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, 2020

	General	Conservation Commission	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 348,869	\$ 90,735	\$ 272,625	\$ 712,229
Investments	-	366,046	176,190	542,236
Receivables, net of allowance for uncollectible:				
Taxes	421,000	-	-	421,000
Accounts	11,000	-	19,440	30,440
Interfund receivable	2,402	6,647	-	9,049
Restricted assets:				
Cash and cash equivalents	79,772	-	-	79,772
Investments	764,198	-	-	764,198
Total assets	<u>\$ 1,627,241</u>	<u>\$ 463,428</u>	<u>\$ 468,255</u>	<u>\$ 2,558,924</u>
LIABILITIES				
Accounts payable	\$ 50,647	\$ -	\$ -	\$ 50,647
Interfund payable	6,647	-	2,402	9,049
Total liabilities	<u>57,294</u>	<u>-</u>	<u>2,402</u>	<u>59,696</u>
DEFERRED INFLOWS OF RESOURCES				
Unavailable revenue - Property taxes	55,778	-	-	55,778
Unavailable revenue - Donation	610	-	-	610
Total deferred inflows of resources	<u>56,388</u>	<u>-</u>	<u>-</u>	<u>56,388</u>
FUND BALANCES				
Nonspendable	-	-	156,473	156,473
Restricted	250,544	-	19,717	270,261
Committed	525,223	463,428	278,575	1,267,226
Assigned	5,929	-	11,088	17,017
Unassigned	731,863	-	-	731,863
Total fund balances	<u>1,513,559</u>	<u>463,428</u>	<u>465,853</u>	<u>2,442,840</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 1,627,241</u>	<u>\$ 463,428</u>	<u>\$ 468,255</u>	<u>\$ 2,558,924</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, 2020

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

Total fund balances of governmental funds (Exhibit C-1)		\$ 2,442,840
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 11,795,728	
Less accumulated depreciation	<u>(2,701,304)</u>	
		9,094,424
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	\$ 472,861	
Deferred inflows of resources related to pensions	(66,685)	
Deferred outflows of resources related to OPEB	28,484	
Deferred inflows of resources related to OPEB	<u>(364,697)</u>	
		69,963
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (9,049)	
Payables	<u>9,049</u>	
		-
Property taxes not collected within 60 days of fiscal year-end are not available to pay for current period expenditures, and therefore are deferred in the governmental funds.		
Deferred property taxes	\$ 36,747	
Allowance for uncollectible taxes	<u>(25,000)</u>	
		11,747
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(9,810)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Bond	\$ 600,000	
Compensated absences	73,754	
Net pension liability	1,699,514	
Other postemployment benefits	<u>227,779</u>	
		(2,601,047)
Net position of governmental activities (Exhibit A)		<u>\$ 9,008,117</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, 2020

	General	Conservation Commission	Other Governmental Funds	Total Governmental Funds
REVENUES				
Taxes	\$ 1,703,513	\$ -	\$ -	\$ 1,703,513
Licenses and permits	806,891	-	-	806,891
Intergovernmental	319,664	-	-	319,664
Charges for services	10,694	-	87,974	98,668
Miscellaneous	158,555	12,498	44,787	215,840
Total revenues	2,999,317	12,498	132,761	3,144,576
EXPENDITURES				
Current:				
General government	870,131	-	30,470	900,601
Public safety	891,230	-	43,039	934,269
Highways and streets	341,218	-	-	341,218
Sanitation	227,071	-	-	227,071
Health	56,436	-	-	56,436
Welfare	2,000	-	-	2,000
Culture and recreation	209,488	-	5,554	215,042
Conservation	2,302	65	-	2,367
Debt service:				
Principal	120,000	-	-	120,000
Interest	25,000	-	-	25,000
Total expenditures	2,744,876	65	79,063	2,824,004
Excess (deficiency) of revenues over (under) expenditures	254,441	12,433	53,698	320,572
OTHER FINANCING SOURCES (USES)				
Transfers in	4,458	6,647	-	11,105
Transfers out	(6,647)	-	(4,458)	(11,105)
Total other financing sources (uses)	(2,189)	6,647	(4,458)	-
Net change in fund balances	252,252	19,080	49,240	320,572
Fund balances, beginning	1,261,307	444,348	416,613	2,122,268
Fund balances, ending	\$ 1,513,559	\$ 463,428	\$ 465,853	\$ 2,442,840

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, 2020

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

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 320,572
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Depreciation expense exceeded capital outlay expenditures in the current year, as follows:		
Capitalized capital outlay	\$ 48,061	
Depreciation expense	<u>(211,311)</u>	
		(163,250)
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (11,105)	
Transfers out	<u>11,105</u>	
		-
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		(25,732)
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
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	\$ 1,708	
Increase in compensated absences payable	(12,218)	
Net change in net pension liability, and deferred outflows and inflows of resources related to pensions	(127,589)	
Net change in net other postemployment benefits liability and deferred outflows and inflows of resources related to other postemployment benefits	<u>91,952</u>	
		<u>(46,147)</u>
Changes in net position of governmental activities (Exhibit B)		<u>\$ 205,443</u>

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

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, 2020

	Original and Final Budget	Actual	Variance Positive (Negative)
REVENUES			
Taxes	\$ 1,632,622	\$ 1,677,781	\$ 45,159
Licenses and permits	746,000	806,891	60,891
Intergovernmental	213,272	319,664	106,392
Charges for services	6,000	10,694	4,694
Miscellaneous	52,040	50,057	(1,983)
Total revenues	2,649,934	2,865,087	215,153
EXPENDITURES			
Current:			
General government	897,285	845,588	51,697
Public safety	924,015	877,197	46,818
Highways and streets	336,335	278,872	57,463
Sanitation	239,310	227,071	12,239
Health	56,515	56,436	79
Welfare	7,000	2,000	5,000
Culture and recreation	190,660	186,333	4,327
Conservation	8,950	2,302	6,648
Debt service:			
Principal	120,000	120,000	-
Interest	26,000	25,000	1,000
Capital outlay	25,000	-	25,000
Total expenditures	2,831,070	2,620,799	210,271
Excess (deficiency) of revenues over (under) expenditures	(181,136)	244,288	425,424
OTHER FINANCING SOURCES (USES)			
Transfers in	9,400	24,587	15,187
Transfers out	(327,626)	(335,042)	(7,416)
Total other financing sources (uses)	(318,226)	(310,455)	7,771
Net change in fund balances	\$ (499,362)	(66,167)	\$ 433,195
Unassigned fund balance, beginning		809,777	
Unassigned fund balance, ending		\$ 743,610	

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, 2020

	All Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 3,545,852
Investments	426,465
Total assets	<u>3,972,317</u>
LIABILITIES	
Intergovernmental payables:	
School	<u>3,521,919</u>
NET POSITION	
Restricted	<u><u>\$ 450,398</u></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, 2020

	All Custodial Funds
ADDITIONS	
Tax collections for other governments	\$ 8,732,235
Contributions	100,000
Investment earnings	8,688
Impact fees	33,256
Change in fair market value	15,571
Total additions	<u>8,889,750</u>
DEDUCTIONS	
Payments of taxes to other governments	8,732,235
Payments to schools	37,275
Escrow purposes	108,757
Total deductions	<u>8,878,267</u>
Change in net position	11,483
Net position, beginning	438,915
Net position, ending	<u>\$ 450,398</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, 2020

	<u>NOTE</u>
Summary of Significant Accounting Policies	1
Reporting Entity	1-A
Basis of Accounting, and Measurement Focus	1-B
Cash and Cash Equivalents	1-C
Restricted Assets	1-D
Investments	1-E
Receivables	1-F
Capital Assets	1-G
Interfund Activities	1-H
Property Taxes	1-I
Accounts Payable	1-J
Deferred Outflows/Inflows of Resources	1-K
Long-term Obligations	1-L
Compensated Absences	1-M
Defined Benefit Pension Plan	1-N
Postemployment Benefits Other Than Pensions	1-O
Net Position/Fund Balances	1-P
Use of Estimates	1-Q
Stewardship, Compliance, and Accountability	2
Budgetary Information	2-A
Budgetary Reconciliation to GAAP Basis	2-B

DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents	3
Restricted Assets	4
Investments	5
Taxes Receivable	6
Other Receivables	7
Capital Assets	8
Interfund Balances and Transfers	9
Intergovernmental Payables	10
Deferred Outflows/Inflows of Resources	11
Long-term Liabilities	12
Defined Benefit Pension Plan	13
Postemployment Benefits Other Than Pensions	14
New Hampshire Retirement System (NHRS)	14-A
Town of Hampton Falls Retiree Health Benefit Program	14-B
Encumbrances	15
Governmental Activities and Fiduciary Funds Net Position	16
Governmental Fund Balances	17
Risk Management	18
Contingent Liabilities	19

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

COVID-19	20
Tax Abatements.....	21
Subsequent Events.....	22

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

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.

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.

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.

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

The Town reports the following major governmental fund:

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, claybrook, bandstand roof donations, 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.

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 seven 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 fund:

Custodial Fund – 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.

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 purpose.

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.

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

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.

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 applicable 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.

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

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 11, 2020 and November 4, 2020, and due on July 7, 2020 and December 15, 2020. Interest accrues at a rate of 8% on bills outstanding after the due date and 14% on tax liens outstanding. The Town placed a lien on all outstanding taxes from 2019 on April 13, 2020.

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.

The Town net assessed valuation as of April 1, 2020 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$482,870,502
For all other taxes	\$488,152,802

The tax rates and amounts assessed for the year ended December 31, 2020 were as follows:

	<u>Per \$1,000 of Assessed Valuation</u>	<u>Property Taxes Assessed</u>
Municipal portion	\$3.44	\$ 1,679,157
School portion:		
State of New Hampshire	\$2.02	977,756
Local	\$14.95	7,295,548
County portion	\$0.94	458,931
Total	<u>\$21.35</u>	<u>\$10,411,392</u>

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

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, 2020.

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.

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

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

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.

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.

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

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 receivables, and the useful lives and impairment of tangible and intangible capital assets, net pension liability, OPEB liability and deferred inflows and outflows of resources related to pension and OPEB, 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 2020, \$485,000 of the beginning general fund unassigned fund balance was applied for this purpose and \$14,362 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 the major governmental fund which had a budget.

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$2,889,674
Adjustment:	
Basis difference:	
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	108,498
To record transfer between expendable trust funds and blended library fund	558
To eliminate transfers between blended funds	(20,687)
Change in deferred tax revenue relating to 60-day revenue recognition	
recognized as revenue on the GAAP basis, but not on the budgetary basis	25,732
Per Exhibit C-3 (GAAP basis)	<u>\$3,003,775</u>
	(Continued)

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Budgetary reconciliation to GAAP basis continued:

Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$2,955,841
Adjustment:	
Basis difference:	
Encumbrances, beginning	15,330
Encumbrances, ending	(5,929)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	114,676
To eliminate transfers between general and blended funds	(328,395)
Per Exhibit C-3 (GAAP basis)	<u>\$2,751,523</u>

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 \$4,337,853 and the bank balances totaled \$4,380,003.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$ 792,001
Cash per Statement of Fiduciary Net Position (Exhibit E-1)	3,545,852
Total cash and cash equivalents	<u>\$4,337,853</u>

NOTE 4 – RESTRICTED ASSETS

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

Cash and cash equivalents:

General fund:

Library	\$ 65,409
Heritage	7,737
Crimeline gift	1,173
Liberty Elm tree	4,871
Claybrook	582
Total restricted cash and cash equivalents	<u>79,772</u>

Investments:

General fund:

Library	179,676
Capital reserve funds	584,522
Total restricted investments	<u>764,198</u>

Total restricted assets	<u>\$ 843,970</u>
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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, 2020

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. Since 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, 2020:

	Valuation Measurement Method	Reported Balance	Less Than 1 Year	1-5 Years	Exempt from Disclosure
Investments type:					
Certificates of deposit	Level 1	\$ 522,800	\$ 366,046	\$ 156,754	\$ -
Common stock	Level 1	100,421	-	-	100,421
Corporate bonds	Level 2	823,776	-	-	823,776
Equity mutual funds	Level 1	285,902	-	-	285,902
Total fair value		<u>\$ 1,732,899</u>	<u>\$ 366,046</u>	<u>\$ 156,754</u>	<u>\$ 1,210,099</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 30.17%, 5.79%, 47.54% and 16.50%, respectively, of the Town's total investments.

Investment reconciliation:

Investments per Statement of Net Position (Exhibit A)	\$ 1,306,434
Investments per Statement of Fiduciary Net Position (Exhibit E-1)	426,465
Total investments	<u>\$ 1,732,899</u>

NOTE 6 – TAXES RECEIVABLE

Taxes receivables represent the amount of current and prior year taxes which have not been collected as of December 31, 2020. 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 2020	\$ 378,658	\$ 378,658
Unredeemed (under tax lien):		
Levy of 2019	41,454	41,454
Levy of 2018	888	888
Less: allowance for estimated uncollectible taxes	(25,000) *	-
Net taxes receivable	<u>\$ 396,000</u>	<u>\$ 421,000</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).

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

NOTE 7 – OTHER RECEIVABLES

Receivables at December 31, 2020, 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, 2020 for the Town's individual major fund and nonmajor funds in the aggregate including applicable allowances for uncollectible accounts are as follows:

	General Fund	Nonmajor Funds	Total
Receivables:			
Accounts	\$ 11,000	\$ 39,473	\$ 50,473
Less: allowance for uncollectibles	-	(20,033)	(20,033)
Net total receivables	<u>\$ 11,000</u>	<u>\$ 19,440</u>	<u>\$ 30,440</u>

NOTE 8 – CAPITAL ASSETS

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

	Balance, beginning	Additions	Balance, ending
At cost:			
Not being depreciated:			
Land	\$4,708,636	\$ -	\$4,708,636
Construction in progress	-	14,000	14,000
Total capital assets not being depreciated	<u>4,708,636</u>	<u>14,000</u>	<u>4,722,636</u>
Being depreciated:			
Land improvements	190,237	-	190,237
Buildings and building improvements	1,667,727	34,061	1,701,788
Machinery, equipment, and vehicles	1,959,112	-	1,959,112
Infrastructure	3,221,955	-	3,221,955
Total capital assets being depreciated	<u>7,039,031</u>	<u>34,061</u>	<u>7,073,092</u>
Total all capital assets	<u>11,747,667</u>	<u>48,061</u>	<u>11,795,728</u>
Less accumulated depreciation:			
Land improvements	(8,895)	(6,341)	(15,236)
Buildings and building improvements	(724,128)	(36,995)	(761,123)
Machinery, equipment, and vehicles	(783,794)	(87,426)	(871,220)
Infrastructure	(973,176)	(80,549)	(1,053,725)
Total accumulated depreciation	<u>(2,489,993)</u>	<u>(211,311)</u>	<u>(2,701,304)</u>
Net book value, capital assets being depreciated	<u>4,549,038</u>	<u>(177,250)</u>	<u>4,371,788</u>
Net book value, all governmental activities capital assets	<u>\$9,257,674</u>	<u>\$ (163,250)</u>	<u>\$9,094,424</u>

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:

General government	\$ 5,852
Public safety	100,431
Highways and streets	88,221
Culture and recreation	16,807
Total depreciation expense	<u>\$ 211,311</u>

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

NOTE 9 – INTERFUND BALANCES AND TRANSFERS

Interfund Balances - The composition of interfund balances as of December 31, 2020 is as follows:

Receivable Fund	Payable Fund	Amount
General	Nonmajor	\$ 2,402
Conservation commission	General	6,647
		<u>\$ 9,049</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, 2020 is as follows:

	Transfers In:		
	General Fund	Conservation Commission	Total
Transfers out:			
General fund	\$ -	\$ 6,647	\$ 6,647
Nonmajor fund	4,458	-	4,458
Total	<u>\$4,458</u>	<u>\$ 6,647</u>	<u>\$11,105</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.

NOTE 10 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$3,521,919 at December 31, 2020 consist of the following:

	Fiduciary Funds
Taxes due to the Hampton Falls School District	\$2,627,373
Taxes due to the Winnacunnet Cooperative School District	894,546
Total intergovernmental payables due	<u>\$3,521,919</u>

NOTE 11 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of at December 31, 2020 consist of amounts related to pensions totaling \$472,861 and amounts related to OPEB totaling \$28,484. For further discussion on these amounts, see Note 13 and 14, respectively.

Deferred inflows of resources are as follows:

	Government-wide	General Fund
Property taxes received in advance	\$ 19,031	\$19,031
Deferred property taxes not collected within 60 days of fiscal year-end	-	36,747
Donation revenue collected in advance of eligible expenditures being made	610	610
Amounts related to pensions, see Note 13	66,685	-
Amounts related to OPEB, see Note 14	364,697	-
Total deferred inflows of resources	<u>\$ 451,023</u>	<u>\$56,388</u>

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

NOTE 12 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2020:

	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Due Within One Year
General obligation bonds	\$ 720,000	\$ -	\$(120,000)	\$ 600,000	\$ 120,000
Compensated absences	61,536	12,218	-	73,754	-
Net pension liability	1,308,390	391,124	-	1,699,514	-
Net other postemployment benefits	398,222	-	(170,443)	227,779	-
Total long-term liabilities	<u>\$ 2,488,148</u>	<u>\$403,342</u>	<u>\$(290,443)</u>	<u>\$ 2,601,047</u>	<u>\$ 120,000</u>

Long-term bonds are comprised of the following:

	Original Amount	Issue Date	Maturity Date	Interest Rate %	Outstanding at December 31, 2020	Current Portion
General obligation bonds payable:						
2010 refunding bond	<u>\$ 2,115,000</u>	2010	2025	3.96%	<u>\$ 600,000</u>	<u>\$ 120,000</u>

The annual requirements to amortize all general obligation bonds outstanding as of December 31, 2020, including interest payments, are as follows:

Fiscal Year Ending December 31,	Principal	Interest	Total
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>\$ 600,000</u>	<u>\$ 79,170</u>	<u>\$ 679,170</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.

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

Group I benefits are provided based on creditable service and average final salary for the highest of either three or five years, depending on when service commenced.

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

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

Years of Creditable Service as of 1/1/12	Minimum Age	Minimum Service	Benefit Multiplier
At least 8 but less than 10 years	46	21	2.4%
At least 6 but less than 8 years	47	22	2.3%
At least 4 but less than 6 years	48	23	2.2%
Less than 4 years	49	24	2.1%

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 2020, the Town contributed 24.77% for police, 26.43% for fire and 10.88% for other employees. The contribution requirement for the fiscal year 2020 was \$135,595, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2020 the Town reported a liability of \$1,699,514 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on 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, 2020, the Town's proportion was 0.03% which was the same as its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Town recognized pension expense of \$262,677. At December 31, 2020 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	\$ 73,998	\$ 48,437
Changes in assumptions	168,116	-
Net difference between projected and actual investment earnings on pension plan investments	105,117	-
Differences between expected and actual experience	45,895	18,248
Contributions subsequent to the measurement date	79,735	-
Total	<u>\$ 472,861</u>	<u>\$ 66,685</u>

The \$79,735 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, 2021.

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL 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,	
2021	\$ 83,893
2022	77,986
2023	91,412
2024	73,150
Totals	<u>\$ 326,441</u>

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

Inflation:	2.0%
Salary increases:	5.6% average, including inflation
Wage inflation:	2.75% (2.25% for teachers)
Investment rate of return:	6.75% net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2016 – June 30, 2019.

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. 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 2020
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total international equity	20.00%	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total fixed income	25.00%	
Private equity	10.00%	7.71%
Private debt	5.00%	4.81%
Total alternative investments	15.00%	
Real estate	10.00%	2.95%
Total	100.00%	

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Discount Rate – The discount rate used to measure the collective total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer 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 6.75% 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 (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2020	\$ 2,200,178	\$ 1,699,514	\$ 1,290,404

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.

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 2020 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.

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

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 2020, the Town contributed 3.66% for police and fire, and 0.29% for other employees. The contribution requirement for the fiscal year 2020 was \$17,465, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At December 31, 2020, the Town reported a liability of \$144,145 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, 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, 2020, the Town's proportion was 0.03% which was a decrease of 0.01% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Town recognized OPEB expense of \$1,554. At December 31, 2020, 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	\$ -	\$ 2,314
Net difference between projected and actual investment earnings on OPEB plan investments	539	-
Changes in assumptions	927	-
Differences between expected and actual experience	-	418
Contributions subsequent to the measurement date	10,037	-
Total	<u>\$ 11,503</u>	<u>\$ 2,732</u>

The \$10,037 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, 2021. 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,	
2021	\$(1,764)
2022	160
2023	190
2024	148
Totals	<u>\$(1,266)</u>

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

Inflation:	2.0%
Salary increases:	5.6 % average, including inflation
Wage inflation:	2.75 % (2.25%) for teachers
Investment rate of return:	6.75 % net of OPEB plan investment expense, including inflation for determining solvency contributions

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

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

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

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 2020
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total domestic equity	30.00%	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total international equity	20.00%	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total fixed income	25.00%	
Private equity	10.00%	7.71%
Private debt	5.00%	4.81%
Total alternative investments	15.00%	
Real estate	10.00%	2.95%
Total	100.00%	

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2020 was 6.75%. 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 6.75% 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 (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2020	\$ 156,527	\$ 144,145	\$ 133,396

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.

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

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, 2020 five active employees were covered by the benefit terms.

Total OPEB Liability – The Town's total OPEB liability of \$83,634 was measured as of December 31, 2020, and was determined by an actuarial valuation as of January 1, 2020.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$83,634 in the January 1, 2020 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	2.12%
Healthcare Cost Trend Rates:	
Current Year Trend	9.40%
Second Year Trend	9.50%
Decrement	0.50%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2030
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 December 31, 2020.

Mortality rates were based on the SOA RP-2014 Total Dataset Mortality with Scale MO-2020 (Base Rate 2006).

Changes in the Total OPEB Liability

	December 31,	
	2019	2020
OPEB liability beginning of year	\$ 219,808	\$ 235,254
Changes for the year:		
Service cost	14,677	3,663
Interest	7,539	1,662
Assumption changes and difference between actual and expected experience	(5,447)	(156,786)
Benefit payments	(1,323)	(159)
OPEB liability end of year	<u>\$ 235,254</u>	<u>\$ 83,634</u>

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Sensitivity of the Town's OPEB Liability to Changes in the Discount Rate – The January 1, 2020 actuarial valuation was prepared using a discount rate of 2.12%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$78,994. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$88,246.

	Discount Rate		
	1% Decrease	Baseline 2.12%	1% Increase
Total OPEB Liability	\$ 88,246	\$ 83,634	\$ 78,994

Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The January 1, 2020 actuarial valuation was prepared using an initial trend rate of 9.40%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$90,814. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$76,958.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 9.40%	1% Increase
Total OPEB Liability	\$ 76,958	\$ 83,634	\$ 90,814

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2020, the Town recognized OPEB expense of \$72,976. At December 31, 2020, 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	\$ 16,981	\$ -
Differences between expected and actual experience	-	361,965
Total	\$ 16,981	\$ 361,965

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,	
2021	\$ (78,301)
2022	(78,301)
2023	(78,301)
2024	(71,767)
2025	(38,314)
Totals	<u>\$ (344,984)</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, 2020 and are as follows:

General fund:	
General government	\$ 3,200
Public safety	229
Highways and streets	2,500
Total encumbrances	<u>\$ 5,929</u>

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

NOTE 16 – GOVERNMENTAL ACTIVITIES AND FIDUCIARY FUNDS NET POSITION

Net position reported on the government wide and fiduciary funds Statements of Net Position at December 31, 2020 include the following:

	Governmental Activities	Fiduciary Funds
Net investment in capital assets:		
Net book value, all capital assets	\$ 9,094,424	\$ -
Less:		
General obligation bond payable	(600,000)	-
Total net investment in capital assets	8,494,424	-
Restricted net position:		
Perpetual care - nonexpendable	156,473	-
Perpetual care - expendable	19,717	-
Individuals, organizations and other governments	-	450,398
Total restricted net position	176,190	450,398
Unrestricted	337,503	-
Total net position	\$ 9,008,117	\$450,398

NOTE 17 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2020 include the following:

	General Fund	Conservation Commission	Nonmajor Funds	Governmental Funds
Nonspendable:				
Permanent fund - principal balance	\$ -	\$ -	\$ 156,473	\$ 156,473
Restricted:				
Library	243,918	-	-	243,918
Crimeline gift	1,173	-	-	1,173
Liberty elm tree	4,871	-	-	4,871
Claybrook	582	-	-	582
Permanent - income balance	-	-	19,717	19,717
Total restricted fund balance	250,544	-	19,717	270,261
Committed:				
Expendable trusts	516,717	-	-	516,717
Heritage	8,506	-	-	8,506
Conservation commission	-	463,428	-	463,428
Fire department vehicle	-	-	121,601	121,601
Recreation	-	-	27,026	27,026
Fire detail	-	-	7,872	7,872
Police detail	-	-	55,689	55,689
Town communications	-	-	66,387	66,387
Total committed fund balance	525,223	463,428	278,575	1,267,226
Assigned:				
Encumbrances	5,929	-	-	5,929
All other	-	-	11,088	11,088
Total assigned fund balance	5,929	-	11,088	17,017
Unassigned	731,863	-	-	731,863
Total governmental fund balances	\$ 1,513,559	\$ 463,428	\$ 465,853	\$ 2,442,840

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

NOTE 18 – 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 2020, 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, 2020 to December 31, 2020 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 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 2020 the Town paid \$29,674 and \$24,167 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 19 – 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 20 – COVID-19

As a result of the spread of COVID-19, Coronavirus, economic uncertainties continue. The duration of these uncertainties and the ultimate financial effects cannot be reasonably estimated at this time.

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect to COVID-19; were not accounted for in the budget approved for 2020; and were incurred during the period that begins on March 1, 2020 and ends on December 31, 2020. The Town was awarded a portion of this federal funding totaling \$54,550. In addition to funding from the CARES Act, there are several other federal and state grants available.

The full extent of the financial impact cannot be determined as of the date of the financial statements.

NOTE 21 – 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, 2020.

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

NOTE 22 – 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 June 28, 2021, the date the December 31, 2020 financial statements were available to be issued, no events occurred that require recognition or disclosure.

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, 2020

	December 31,							
	2013	2014	2015	2016	2017	2018	2019	2020
Town's proportion of the net pension liability	0.03%	0.03%	0.03%	0.02%	0.03%	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	\$ 1,699,514
Town's covered payroll	\$ 507,692	\$ 450,362	\$ 433,675	\$ 395,224	\$ 492,376	\$ 489,449	\$ 523,038	\$ 550,420
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%	308.77%
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%	58.72%

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, 2020

	December 31,							
	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 69,050	\$ 85,829	\$ 84,159	\$ 83,923	\$ 98,928	\$108,140	\$118,335	\$118,039
Contributions in relation to the contractually required contributions	69,050	85,829	84,159	83,923	98,928	108,140	118,335	118,039
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	<u>\$507,692</u>	<u>\$450,362</u>	<u>\$433,675</u>	<u>\$395,224</u>	<u>\$492,376</u>	<u>\$489,449</u>	<u>\$523,038</u>	<u>\$550,420</u>
Contributions as a percentage of covered payroll	13.60%	19.06%	19.41%	21.23%	20.09%	22.09%	22.62%	21.45%

TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION –
PENSION LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

***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, 2020. 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 2020:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	20 years beginning July 1, 2019 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year (3.00% for teachers) in the 2017 valuation
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.45% 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. Based on the 2010-215 experience study.
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 2010-2015 experience study.

Other Information:

Notes	The board has adopted new assumptions based on the 2015-2019 experience study effective for employer contributions in the 2022-23 biennium.
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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, 2020

	December 31,				
	2016	2017	2018	2019	2020
Town's proportion of the net OPEB liability	0.02%	0.02%	0.03%	0.04%	0.03%
Town's proportionate share of the net OPEB liability (asset)	\$99,844	\$113,286	\$159,050	\$162,968	\$ 144,145
Town's covered payroll	\$395,224	\$492,376	\$489,449	\$523,038	\$ 550,420
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%	26.19%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%	7.74%

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, 2020

	December 31,				
	2016	2017	2018	2019	2020
Contractually required contribution	\$14,685	\$11,984	\$15,366	\$16,964	\$ 15,286
Contributions in relation to the contractually required contribution	14,685	11,984	15,366	16,964	15,286
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$395,224	\$492,376	\$489,449	\$523,038	\$ 550,420
Contributions as a percentage of covered payroll	3.72%	2.43%	3.14%	3.24%	2.78%

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, 2020

	December 31,			
	2017	2018	2019	2020
OPEB liability, beginning of year	\$ 520,589	\$204,295	\$219,808	\$ 235,254
Changes for the year:				
Service cost	12,076	14,486	14,677	3,663
Interest	20,784	7,012	7,539	1,662
Changes to benefit terms	-	-	-	-
Assumption changes and difference between actual and expected experience	(344,652)	(5,067)	(5,447)	(156,786)
Change in actuarial cost method	(2,516)	-	-	-
Benefit payments	(1,986)	(918)	(1,323)	(159)
OPEB liability, end of year	<u>\$ 204,295</u>	<u>\$219,808</u>	<u>\$235,254</u>	<u>\$ 83,634</u>
Covered payroll	<u>\$ 337,534</u>	<u>\$472,020</u>	<u>\$478,251</u>	<u>\$ 418,012</u>
Total OPEB liability as a percentage of covered payroll	60.53%	46.57%	49.19%	20.01%

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, 2020

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, 2020. 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.

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Reduced the wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2/0%
- Updated economic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables).

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 (3.00% for teachers) in the 2017 valuation
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.45% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Funding Discount Rate	3.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Based on the 2010-2015 experience study.
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 2010-2015 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, 2020. 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, 2020

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 1,586,422	\$ 1,578,757	\$ (7,665)
Land use change	100	-	(100)
Yield	100	270	170
Payment in lieu of taxes	11,000	11,000	-
Interest and penalties on taxes	35,000	87,754	52,754
Total from taxes	<u>1,632,622</u>	<u>1,677,781</u>	<u>45,159</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	2,000	2,205	205
Motor vehicle permit fees	700,000	727,203	27,203
Building permits	30,000	61,367	31,367
Other	14,000	16,116	2,116
Total from licenses, permits, and fees	<u>746,000</u>	<u>806,891</u>	<u>60,891</u>
Intergovernmental:			
State:			
Shared revenues	12,050	12,050	-
Meals and rooms distribution	122,863	122,863	-
Highway block grant	69,859	69,852	(7)
Other	8,500	112,391	103,891
Federal:			
FEMA	-	2,508	2,508
Total from intergovernmental	<u>213,272</u>	<u>319,664</u>	<u>106,392</u>
Charges for services:			
Income from departments	<u>6,000</u>	<u>10,694</u>	<u>4,694</u>
Miscellaneous:			
Sale of municipal property	100	-	(100)
Interest on investments	22,000	15,055	(6,945)
Other	29,940	35,002	5,062
Total from miscellaneous	<u>52,040</u>	<u>50,057</u>	<u>(1,983)</u>
Other financing sources:			
Transfers in	<u>9,400</u>	<u>24,587</u>	<u>15,187</u>
Total revenues and other financing sources	<u>2,659,334</u>	<u>\$ 2,889,674</u>	<u>\$ 230,340</u>
Unassigned fund balance used to reduce tax rate	485,000		
Amounts voted from fund balance	14,362		
Total revenues, other financing sources, and use of fund balance	<u>\$ 3,158,696</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, 2020

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ -	\$ 128,750	\$ 137,222	\$ -	\$ (8,472)
Election and registration	-	125,145	103,041	-	22,104
Financial administration	-	93,220	87,857	-	5,363
Legal	-	17,000	15,171	-	1,829
Personnel administration	-	362,130	339,781	-	22,349
Planning and zoning	2,000	43,570	38,387	-	7,183
General government buildings	-	54,345	73,874	3,200	(22,729)
Cemeteries	-	18,450	14,185	-	4,265
Insurance, not otherwise allocated	-	30,675	30,674	-	1
Other	-	24,000	4,196	-	19,804
Total general government	2,000	897,285	844,388	3,200	51,697
Public safety:					
Police	685	568,890	541,447	229	27,899
Ambulance	-	97,400	93,111	-	4,289
Fire	12,645	193,235	217,592	-	(11,712)
Building inspection	-	45,490	28,182	-	17,308
Emergency management	-	19,000	9,966	-	9,034
Total public safety	13,330	924,015	890,298	229	46,818
Highways and streets:					
Highways and streets	-	332,335	272,378	2,500	57,457
Street lighting	-	4,000	3,994	-	6
Total highways and streets	-	336,335	276,372	2,500	57,463
Sanitation:					
Solid waste collection	-	168,135	155,666	-	12,469
Solid waste disposal	-	71,175	71,405	-	(230)
Total sanitation	-	239,310	227,071	-	12,239
Health:					
Administration	-	7,785	9,441	-	(1,656)
Pest control	-	23,345	21,610	-	1,735
Health agencies	-	25,385	25,385	-	-
Total health	-	56,515	56,436	-	79
Welfare:					
Administration and direct assistance	-	7,000	2,000	-	5,000
Culture and recreation:					
Parks and recreation	-	25,680	26,850	-	(1,170)
Library	-	164,380	158,986	-	5,394
Patriotic purposes	-	600	497	-	103
Total culture and recreation	-	190,660	186,333	-	4,327
Conservation	-	8,950	2,302	-	6,648
Debt service:					
Principal of long-term debt	-	120,000	120,000	-	-
Interest on long-term debt	-	25,000	25,000	-	-
Interest on tax anticipation notes	-	1,000	-	-	1,000
Total debt service	-	146,000	145,000	-	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, 2020

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Capital outlay	-	25,000	-	-	25,000
Other financing uses:					
Transfers out	-	327,626	335,042	-	(7,416)
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 15,330	\$ 3,158,696	\$ 2,965,242	\$ 5,929	\$ 202,855

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, 2020

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$ 809,777
Changes:		
Unassigned fund balance used to reduce 2020 tax rate		(485,000)
Amounts voted from fund balance		(14,362)
2020 Budget summary:		
Revenue surplus (Schedule 1)	\$ 230,340	
Unexpended balance of appropriations (Schedule 2)	202,855	
2020 Budget surplus		433,195
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		743,610
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		(36,747)
Elimination of the allowance for uncollectible taxes		25,000
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		\$ 731,863

SCHEDULE 4
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Balance Sheet
December 31, 2020

	Special Revenue Funds							Total
	Fire Department Vehicle	Recreation	Fire Detail	Police Detail	All Other	Town Communications	Permanent Fund	
ASSETS								
Cash and cash equivalents	\$ 106,260	\$ 27,026	\$ 7,872	\$ 53,992	\$ 11,088	\$ 66,387	\$ -	\$ 272,625
Investments	-	-	-	-	-	-	176,190	176,190
Receivables, net of allowance for uncollectable:								
Accounts	16,215	-	-	3,225	-	-	-	19,440
Interfund receivable	-	-	-	-	-	-	-	-
Total assets	<u>\$ 122,475</u>	<u>\$ 27,026</u>	<u>\$ 7,872</u>	<u>\$ 57,217</u>	<u>\$ 11,088</u>	<u>\$ 66,387</u>	<u>\$ 176,190</u>	<u>\$ 468,255</u>
LIABILITIES AND FUND BALANCES								
Liabilities:								
Interfund payable	\$ 874	\$ -	\$ -	\$ 1,528	\$ -	\$ -	\$ -	\$ 2,402
Fund balances:								
Nonspendable	-	-	-	-	-	-	156,473	156,473
Restricted	-	-	-	-	-	-	19,717	19,717
Committed	121,601	27,026	7,872	55,689	-	66,387	-	278,575
Assigned	-	-	-	-	11,088	-	-	11,088
Total fund balances	<u>121,601</u>	<u>27,026</u>	<u>7,872</u>	<u>55,689</u>	<u>11,088</u>	<u>66,387</u>	<u>176,190</u>	<u>465,853</u>
Total liabilities and fund balances	<u>\$ 122,475</u>	<u>\$ 27,026</u>	<u>\$ 7,872</u>	<u>\$ 57,217</u>	<u>\$ 11,088</u>	<u>\$ 66,387</u>	<u>\$ 176,190</u>	<u>\$ 468,255</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, 2020

	Special Revenue Funds							
	Fire Department Vehicle	Recreation	Fire Detail	Police Detail	All Other	Town Communications	Permanent Fund	Total
Revenues:								
Charges for services	\$ 50,371	\$ 8,625	\$ 2,487	\$ 26,491	\$ -	\$ -	\$ -	\$ 87,974
Miscellaneous	380	157	38	378	1,909	32,736	9,189	44,787
Total revenues	<u>50,751</u>	<u>8,782</u>	<u>2,525</u>	<u>26,869</u>	<u>1,909</u>	<u>32,736</u>	<u>9,189</u>	<u>132,761</u>
Expenditures:								
Current:								
General government	-	-	-	-	-	30,470	-	30,470
Public safety	5,276	-	2,004	35,759	-	-	-	43,039
Culture and recreation	-	4,815	-	-	739	-	-	5,554
Total expenditures	<u>5,276</u>	<u>4,815</u>	<u>2,004</u>	<u>35,759</u>	<u>739</u>	<u>30,470</u>	<u>-</u>	<u>79,063</u>
Excess (deficiency) of revenues over (under) expenditures	<u>45,475</u>	<u>3,967</u>	<u>521</u>	<u>(8,890)</u>	<u>1,170</u>	<u>2,266</u>	<u>9,189</u>	<u>53,698</u>
Other financing uses:								
Transfers out	-	-	-	-	-	-	(4,458)	(4,458)
Net change in fund balances	45,475	3,967	521	(8,890)	1,170	2,266	4,731	49,240
Fund balances, beginning	76,126	23,059	7,351	64,579	9,918	64,121	171,459	416,613
Fund balances, ending	<u>\$ 121,601</u>	<u>\$27,026</u>	<u>\$ 7,872</u>	<u>\$ 55,689</u>	<u>\$ 11,088</u>	<u>\$ 66,387</u>	<u>\$ 176,190</u>	<u>\$ 465,853</u>

SCHEDULE 6
TOWN OF HAMPTON FALLS, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Fiduciary Net Position
December 31, 2020

	Custodial Funds			Total
	Taxes	School Trust Funds	Impact Fees	
ASSETS				
Cash and cash equivalents	\$ 3,521,919	\$ -	\$ 23,933	\$ 3,545,852
Investments	-	426,465	-	426,465
Total assets	3,521,919	426,465	23,933	3,972,317
LIABILITIES				
Intergovernmental payables:				
School	3,521,919	-	-	3,521,919
NET POSITION				
Restricted	\$ -	\$ 426,465	\$ 23,933	\$ 450,398

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, 2020

	Custodial Funds			Total
	Taxes	School Trust Funds	Impact Fees	
Additions:				
Tax collections for other governments	\$ 8,732,235	\$ -	\$ -	\$ 8,732,235
Contributions	-	100,000	-	100,000
Investment earnings	-	8,178	510	8,688
Impact fees	-	-	33,256	33,256
Change in fair market value	-	15,571	-	15,571
Total additions	<u>8,732,235</u>	<u>123,749</u>	<u>33,766</u>	<u>8,889,750</u>
Deductions:				
Payments of taxes to other governments	8,732,235	-	-	8,732,235
Payments to school	-	37,275	-	37,275
Payments for escrow purposes	-	-	108,757	108,757
Total deductions	<u>8,732,235</u>	<u>37,275</u>	<u>108,757</u>	<u>8,878,267</u>
Net increase (decrease) in fiduciary net position	-	86,474	(74,991)	11,483
Net position, beginning	-	339,991	98,924	438,915
Net position, ending	<u>\$ -</u>	<u>\$ 426,465</u>	<u>\$ 23,933</u>	<u>\$ 450,398</u>



PLODZIK & SANDERSON

Professional Association/Accountants & Auditors

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INDEPENDENT AUDITOR'S COMMUNICATION OF MATERIAL WEAKNESS 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, each major fund, and aggregate remaining fund information of the Town of Hampton Falls as of and for the year ended December 31, 2020, 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 a certain deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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 deficiency in the Town of Hampton Falls' internal control to be a material weakness:

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.

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

Town of Hampton Falls

Independent Auditor's Communication of Material Weakness and Significant Deficiency

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.

June 28, 2021

*Plodzik & Sanderson
Professional Association*