

ROBERGE AND COMPANY, P.C.

Certified Public Accountants

Member – American Institute of CPA's (AICPA)
Member – AICPA Government Audit Quality Center (GAQC)
Member – AICPA Private Company Practice Section (PCPS)
Member – New Hampshire Society of CPA's

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Henniker as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Henniker, as of December 31, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

Roberge and Co., P.C.

ROBERGE & COMPANY, P.C.

Franklin, New Hampshire
August 24, 2022

TOWN OF HENNIKER

Statement of Net Position December 31, 2021

	Primary Government Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 8,425,217
Investments	6,453,140
Receivables, net	2,258,462
Due from other governments	3,354
Deposit	30,850
Other assets	60,143
Land, improvements, and construction in progress	1,268,921
Other capital assets, net of accumulated depreciation	23,401,369
Total assets	41,901,456
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to pensions	972,634
Deferred outflow of resources related to other post employment benefits	54,739
Total deferred outflows of resources	1,027,373
LIABILITIES	
Accounts payable	320,174
Due to other governments	5,228,805
Current portion long term debt	292,268
Other liabilities	322,977
Noncurrent Obligations:	
Notes payable	1,612,209
Capital lease obligations	72,918
Compensated absences	164,647
Unamortized bond premium	1,549
OPEB Obligation	493,328
Net pension liability	3,300,906
Total liabilities	11,809,781
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows of resources related to pensions	1,022,808
Deferred inflows of resources related to other post employment benefits	359,349
Total deferred inflows of resources	1,382,157
NET POSITION	
Net investment in capital assets	22,694,444
Restricted for:	
Permanent funds	6,135,749
Specific purposes	1,415,653
Unrestricted	(508,955)
Total net position	\$ 29,736,891

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

TOWN OF HENNIKER

Statement of Activities Year Ended December 31, 2021

Functions / Programs				Net (Expense)
				Revenue and
				Changes in Net
				Position
	Program Revenues			Primary
	Operating			Government
	Charges for	Grants and		Governmental
	Expenses	Services	Contributions	Activities
Governmental activities:				
General government	\$ 1,071,677	\$ 48,740	\$ 6,427	\$ (1,016,510)
Public safety	2,093,420	618,480	-	(1,474,940)
Highways and streets	1,008,741	-	282,300	(726,441)
Sanitation	948,217	635,346	3,275	(309,596)
Water distribution and treatment	321,802	540,731	7,036	225,965
Health	81,740	-	-	(81,740)
Welfare	56,432	-	-	(56,432)
Culture and recreation	537,461	-	-	(537,461)
Conservation	4,001	-	-	(4,001)
Debt service	73,196	-	-	(73,196)
Capital outlay	56,048	-	-	(56,048)
Other financing uses	(170,790)	-	-	170,790
Depreciation (unallocated)	1,347,079	-	-	(1,347,079)
Total governmental activities	7,429,024	1,843,297	299,038	(5,286,689)
General revenues:				
Taxes				\$ 4,808,162
Charges, grants, and contributions not restricted to specific purposes:				
Licenses, permits and fees				1,044,080
State of NH sources				358,620
Miscellaneous revenues				1,186,687
Total general revenues				7,397,549
Change in net position				2,110,860
Net position, beginning				27,626,031
Net position, ending				\$ 29,736,891

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

TOWN OF HENNIKER

Balance Sheet Governmental Funds December 31, 2021

		Common	Nonmajor	Total
	General Fund	Trust Funds	Governmental Funds	Governmental Funds
Assets				
Cash and cash equivalents	\$ 7,399,825	\$ -	\$ 1,025,392	\$ 8,425,217
Investments	-	6,135,749	317,391	6,453,140
Property taxes receivable	1,356,402	-	-	1,356,402
Land use taxes receivable	8,419	-	-	8,419
Elderly and welfare liens	101,876	-	-	101,876
Allowance for doubtful accounts	(99,314)	-	(750)	(100,064)
Accounts receivable	787,446	-	103,117	890,563
Other receivables	-	-	1,266	1,266
Due from other governments	3,354	-	-	3,354
Due from other funds	30,763	-	12,429	43,192
Prepays	30,850	-	-	30,850
Other assets	60,143	-	-	60,143
Total assets	<u>\$ 9,679,764</u>	<u>\$ 6,135,749</u>	<u>\$ 1,458,845</u>	<u>\$ 17,274,358</u>
Liabilities, Deferred Inflows of Resources and Fund Balances				
Liabilities:				
Accounts payable	\$ 320,174	\$ -	\$ -	\$ 320,174
Due to other governments	5,228,805	-	-	5,228,805
Due to other funds	-	-	43,192	43,192
Other liabilities	322,977	-	-	322,977
Total liabilities	<u>5,871,956</u>	<u>-</u>	<u>43,192</u>	<u>5,915,148</u>
Deferred Inflows of Resources:				
Unavailable revenue	602,782	-	-	602,782
Total deferred inflows of resources	<u>602,782</u>	<u>-</u>	<u>-</u>	<u>602,782</u>
Fund balances:				
Nonspendable	30,850	5,934,948	-	5,965,798
Restricted	-	200,801	557,969	758,770
Committed	1,643,669	-	-	1,643,669
Assigned	41,687	-	857,684	899,371
Unassigned	1,488,820	-	-	1,488,820
Total fund balances	<u>3,205,026</u>	<u>6,135,749</u>	<u>1,415,653</u>	<u>10,756,428</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 9,679,764</u>	<u>\$ 6,135,749</u>	<u>\$ 1,458,845</u>	<u>\$ 17,274,358</u>

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

TOWN OF HENNIKER

Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position December 31, 2021

Total Fund Balances - Governmental Funds \$ 10,756,428

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

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

Cost	\$ 66,164,932	
Less accumulated depreciation	<u>(41,494,642)</u>	24,670,290

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

Bonds payable	(1,809,992)	
Capital lease obligations	(165,854)	
Compensated absences	(164,647)	
Unamortized bond premiums	(3,098)	
OPEB obligations	(493,328)	
Net pension liability	<u>(3,300,906)</u>	(5,937,825)

Revenues that are not current financial resources in the funds.

Unavailable revenue	602,782
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Deferred inflows and outflows of resources are not current financial sources and uses and therefore are not reported in the governmental funds.

Deferred inflows of resources	(1,382,157)	
Deferred outflows of resources	<u>1,027,373</u>	<u>(354,784)</u>

Total Net Position - Governmental Activities \$ 29,736,891

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

TOWN OF HENNIKER

Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds Year Ended December 31, 2021

	General Fund	Common Trust Funds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 4,576,001	\$ -	\$ 11,982	\$ 4,587,983
Licenses, permits and fees	1,044,080	-	-	1,044,080
State of NH sources	712,757	-	7,036	719,793
Charges for services	647,239	-	1,131,307	1,778,546
Miscellaneous revenues	67,506	763,942	260,064	1,091,512
Investment income	2,239	60,807	34,745	97,791
Total revenues	<u>7,049,822</u>	<u>824,749</u>	<u>1,445,134</u>	<u>9,319,705</u>
Expenditures				
General government	1,025,031	46,646	-	1,071,677
Public safety	2,093,420	-	-	2,093,420
Highways and streets	1,385,648	-	-	1,385,648
Sanitation	413,808	-	534,409	948,217
Water distribution and treatment	-	-	321,802	321,802
Health	81,740	-	-	81,740
Welfare	56,432	-	-	56,432
Culture and recreation	263,349	-	274,112	537,461
Conservation	4,001	-	-	4,001
Debt service:				
Principal	90,514	-	137,583	228,097
Interest and other debt service	137,693	-	26,059	163,752
Capital outlay	<u>1,997,214</u>	<u>-</u>	<u>478,540</u>	<u>2,475,754</u>
Total expenditures	<u>7,548,850</u>	<u>46,646</u>	<u>1,772,505</u>	<u>9,368,001</u>
Revenues over (under) expenditures	(499,028)	778,103	(327,371)	(48,296)
Other Financing Sources (Uses)				
Transfers in	14,976	-	-	14,976
Transfers out	-	(14,976)	-	(14,976)
Proceeds from long-term notes and bonds	<u>-</u>	<u>-</u>	<u>550,000</u>	<u>550,000</u>
Net change in fund balances	(484,052)	763,127	222,629	501,704
Fund balance, beginning	<u>3,689,078</u>	<u>5,372,622</u>	<u>1,193,024</u>	<u>10,254,724</u>
Fund balance, ending	<u>\$ 3,205,026</u>	<u>\$ 6,135,749</u>	<u>\$ 1,415,653</u>	<u>\$ 10,756,428</u>

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

TOWN OF HENNIKER

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities Year Ended December 31, 2021

Total Net Change in Fund Balances - Governmental Funds \$ 501,704

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

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

Capital outlays	\$ 2,796,613	
Depreciation expense	<u>(1,347,079)</u>	1,449,534

Bond proceeds provide current financial resources to governmental funds, but increase long-term liabilities in the statement of net position. (550,000)

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

Principal on bonds	228,099
Principal on capital leases	90,554

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

Compensated absences (increase) decrease	4,820
Unamortized bond premium (increase) decrease	1,549
OPEB obligation (increase) decrease	(27,091)
Net pension liability (increase) decrease	993,728

Revenues in the governmental activities that are not available financial resources in the governmental funds.

Change in unavailable revenue	220,179
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The change in long-term deferred inflows and outflows are reported against pension expense and other financing uses in the governmental activities.

Deferred inflows (increase) decrease	(742,844)	
Deferred outflows increase (decrease)	<u>(59,372)</u>	<u>(802,216)</u>

Change in Net Position of Governmental Activities \$ 2,110,860

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. THE REPORTING ENTITY

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

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

B. BASIC FINANCIAL STATEMENTS – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

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

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

C. BASIC FINANCIAL STATEMENTS – FUND FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

Private Purpose Trust Funds are used to report trust arrangements under which the principal and interest benefits individuals, private organizations, or other governments, but not the Town. The assets are essentially held in trust for someone outside the reporting entity. The town did not report any private purpose trust funds as of December 31, 2021.

Custodial Funds are used to report assets held in a purely custodial capacity for individuals, organizations, or other governments outside of the reporting entity. The town reported School District Capital Reserves as an custodial fund as of December 31, 2021.

D. BASIS OF ACCOUNTING

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

E. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY**Cash and Cash Equivalents and Investments**

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

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

Interfund Activity

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

Capital Assets

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

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

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

Compensated Absences

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

Long-term Obligations

All long-term debt is reported as liabilities in the government-wide financial statements. Long-term debt consists of bonds payable, capital leases, accrued compensated absences, unamortized bond premiums, other post employment benefit obligations and net pension liability. Governmental funds reported in the fund financial statements are concerned with current financial resources only and do not report long-term debt. Instead, debt proceeds are reported as other financing sources when received and payments of principal and interest are reported as expenditures when due.

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

Governmental Fund Equity and Fund Balance Policy

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

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

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

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

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

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

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

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

Revenues

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

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

Use of Estimates

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

Pensions

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Legal Debt Limit

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

For the year ended December 31, 2021, the Town had not exceeded its legal debt limit.

Risk Management

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

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

Claims, Judgments and Contingent Liabilities

Grant Programs

The Town may participate in state, federal and private funded programs, which are governed by various laws, regulations, contracts and agreements of the grantor. Costs charged to these programs are subject to audit or review by the grantor; therefore, to the extent that the Town has not complied with laws, regulations, contracts and agreements of the grantor, refunds of money for any disallowed claims, including amounts already collected, may constitute a contingent liability of the Town. As of December 31, 2021, the Town believes that there are no significant contingent liabilities relating to compliance with the laws, regulations, and contracts and agreements governing these programs; therefore, no provision has been recorded in the financial statements for such contingencies.

Litigation

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

NOTE 3 - DEPOSITS AND INVESTMENTS

Deposits and investments as of December 31, 2021, are classified in the accompanying financial statements as follows:

Statement of net position:	
Cash and investments	\$ 14,878,357
Fiduciary funds:	
Cash and investments	436,158
	<u>\$ 15,314,515</u>

Deposits and investments as of December 31, 2021, consist of the following:

Deposits with financial institutions	\$ 8,861,375
Investments	6,453,140
	<u>\$ 15,314,515</u>

Credit Risk – Deposits

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

Credit Risk - Investments

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

TOWN OF HENNIKER

Notes to Basic Financial Statements December 31, 2021

Investments made by the Town as of December 31, 2021, are summarized below:

	<u>Balance</u>	<u>Rating</u>	<u>Rating Agencies</u>
Cash equivalents	\$ 145,361	na	
Fixed income investments	2,364,719	na	
Equities	3,729,697	na	
Mutual funds	213,363	na	
	<u>\$ 6,453,140</u>		

Concentration of Credit Risk

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

		<u>%</u>
Cash equivalents	\$ 145,361	2%
Fixed income investments	2,364,719	37%
Equities	3,729,697	58%
Mutual funds	213,363	3%
	<u>\$ 6,453,140</u>	<u>100%</u>

Interest Rate Risk

The Town does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a policy for custodial credit risk on deposits. The town's bank balance as of December 31, 2021, was \$9,405,502. Of that amount, \$250,000 was covered by FDIC insurance and the balance was covered by a Tri-Party Collateral agreement between the town, Citizens Bank and the Bank of New York.

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Town will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Of the Town's \$6,453,140 in various investments, \$0 is held by the investment's counterparty, not in the name of the Town.

TOWN OF HENNIKER

Notes to Basic Financial Statements December 31, 2021

NOTE 4 - INTERFUND BALANCES AND TRANSFERS

Balances

Individual interfund balances as of December 31, 2021, consisted of the following:

	<u>Due From</u>	<u>Due To</u>
Major Funds:		
General fund	\$ 30,763	\$ -
Nonmajor Funds:		
Water fund	-	25,215
Sewer fund	-	16,500
Conservation fund	11,982	-
Recreation revolving fund	447	-
Drug forfeiture fund	-	1,477
	<u>\$ 43,192</u>	<u>\$ 43,192</u>

All of the interfund balances are related to balances or overdrafts of pooled cash.

Transfers

Individual interfund transfers for the year ended December 31, 2021, consisted of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
Major Funds:		
General fund	\$ 14,976	\$ -
Common trust funds	-	14,976
	<u>\$ 14,976</u>	<u>\$ 14,976</u>

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

TOWN OF HENNIKER

Notes to Basic Financial Statements
December 31, 2021

NOTE 5 - INTERGOVERNMENTAL RECEIVABLES AND PAYABLES

Intergovernmental Receivables

Intergovernmental receivables as of December 31, 2021, consisted of the following:

	<u>General Fund</u>
Local Governments	
Various Towns	\$ 3,354
State Governments	
New Hampshire	<u>0</u>
	<u>\$ 3,354</u>

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

Intergovernmental Payables

Intergovernmental payables as of December 31, 2021, consisted of the following:

	<u>General Fund</u>
Local Governments	
John Stark Regional School District	\$ 1,859,385
Henniker School District	3,369,420
	<u>\$ 5,228,805</u>

TOWN OF HENNIKER

Notes to Basic Financial Statements December 31, 2021

NOTE 6 - CAPITAL ASSETS

Capital asset activity for the Town for the year ended December 31, 2021, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental Activities (at cost)				
Capital assets not being depreciated:				
Land and improvements	\$ 1,167,010	\$ -	\$ -	\$ 1,167,010
Construction in progress	77,787	24,124	-	101,911
	<u>1,244,797</u>	<u>24,124</u>	<u>-</u>	<u>1,268,921</u>
Capital assets being depreciated:				
Land improvements	4,681,450	390,471	-	5,071,921
Infrastructure	40,319,124	2,033,906	-	42,353,030
Buildings	9,570,954	55,381	-	9,626,335
Vehicles	4,550,194	275,000	-	4,825,194
Machinery and equipment	3,001,800	17,731	-	3,019,531
	<u>62,123,522</u>	<u>2,772,489</u>	<u>-</u>	<u>64,896,011</u>
Less accumulated depreciation:				
Land improvements	3,763,302	37,139	-	3,800,441
Infrastructure	27,246,743	727,809	-	27,974,552
Buildings	4,322,092	247,244	-	4,569,336
Vehicles	2,420,511	276,400	-	2,696,911
Machinery and equipment	2,394,915	58,487	-	2,453,402
Accumulated depreciation	<u>40,147,563</u>	<u>1,347,079</u>	<u>-</u>	<u>41,494,642</u>
Capital assets being depreciated, net	<u>21,975,959</u>	<u>1,425,410</u>	<u>-</u>	<u>23,401,369</u>
Governmental activities capital assets, Net of accumulated depreciation	<u>\$ 23,220,756</u>	<u>\$ 1,449,534</u>	<u>\$ -</u>	<u>\$ 24,670,290</u>
Depreciation expense for the year ended December 31, 2020 (Unallocated)				<u>\$ 1,347,079</u>

NOTE 7 - LONG-TERM LIABILITIES

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

A summary of long-term liabilities outstanding as of December 31, 2021, is as follows:

	General Obligation Bonds	Capital Leases	Compen- sated Absences	Unamortized Bond Premiums	OPEB Obligations	Net Pension Liability	Total
Beginning balance	\$ 1,488,091	\$ 256,408	\$ 169,467	\$ 4,647	\$ 466,237	\$ 4,294,634	\$ 6,679,484
Additions	550,000	-	-	-	29,635	-	579,635
Reductions	(228,099)	(90,554)	(4,820)	(1,549)	(2,544)	(993,728)	(1,321,294)
Ending balance	<u>1,809,992</u>	<u>165,854</u>	<u>164,647</u>	<u>3,098</u>	<u>493,328</u>	<u>3,300,906</u>	<u>5,937,825</u>
Current portion	197,783	92,936	-	1,549	-	-	292,268
Noncurrent portion	<u>1,612,209</u>	<u>72,918</u>	<u>164,647</u>	<u>1,549</u>	<u>493,328</u>	<u>3,300,906</u>	<u>5,645,557</u>
	<u>\$ 1,809,992</u>	<u>\$ 165,854</u>	<u>\$ 164,647</u>	<u>\$ 3,098</u>	<u>\$ 493,328</u>	<u>\$ 3,300,906</u>	<u>\$ 5,937,825</u>

TOWN OF HENNIKER

Notes to Basic Financial Statements December 31, 2021

Long-term liabilities outstanding as of December 31, 2021, consisted of the following:

	Issue Year	Interest Rate	Maturity Date	Original Amount of Issue	Amount Outstanding 12/31/21
<u>General Obligation Bonds</u>					
Sewer project	2005	Var	2024	611,580	\$ 90,000
Water storage tank renovation	2012	2.44%	2027	350,000	140,000
Water Bond	2014	3.63%	2029	400,000	212,815
Sewer System Bond	2014	3.63%	2029	223,000	118,641
Bridge Replacement Bond	2015	2.79%	2030	1,208,940	727,446
Water System Improvements	2021	2.35%	2040	550,000	521,090
					<u>1,809,992</u>
<u>Capital Lease Obligations</u>					
Grader Lease	2015		2024	343,900	108,297
Dump Truck Lease	2015		2022	369,254	57,557
					<u>165,854</u>
<u>Other Long-Term Obligations</u>					
Compensated absences					164,647
Unamortized bond premium					3,098
Implicit Rate Subsidy OPEB obligations					212,638
NHRS Medical Subsidy OPEB obligations					280,690
Net pension liability					3,300,906
					<u>3,961,979</u>
					<u>\$ 5,937,825</u>

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

	Principal	Interest	Total
2022	\$ 197,783	\$ 52,728	\$ 250,511
2023	198,313	46,586	244,899
2024	198,856	40,456	239,312
2025	169,412	34,215	203,627
2026	169,981	29,324	199,305
2027 to 2031	603,192	77,682	680,874
2032 to 2036	147,999	24,468	172,467
2037 to 2040	124,456	6,408	130,864
	<u>\$ 1,809,992</u>	<u>\$ 311,867</u>	<u>\$ 2,121,859</u>

Obligations under capital lease are as follows:

Year Ended December 31,	
2022	\$ 96,856
2023	37,567
2024	37,568
Total minimum lease payments	171,991
Less amount representing imputed interest	(6,137)
Present value of minimum lease payments	<u>\$ 165,854</u>

TOWN OF HENNIKER

Notes to Basic Financial Statements
December 31, 2021

NOTE 8 - PROPERTY TAXES

Property Tax Calendar

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

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

Allocation of Property Tax Assessment

Total Property Tax Commitment	<u>\$ 15,414,025</u>	
		Rate Per \$1,000
Property Tax Allocation:		
Town Portion	\$ 5,071,597	\$ 10.67
Less: War Service Credit	(38,400)	
Local School Portion	8,299,865	17.46
State School Portion	878,940	1.90
County Portion	<u>1,202,023</u>	<u>2.53</u>
Total Allocation	<u>\$ 15,414,025</u>	<u>\$ 32.56</u>

Deferred Property Taxes

The Town reported deferred property tax revenues in the governmental funds in the amount of \$602,782 for property taxes that were not collected within 60 days of year end in accordance with generally accepted governmental accounting standards.

NOTE 9 - PENSION PLAN

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

The System is funded by contributions from both the employees and the Town. Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature while the employer contribution rates are determined by the System Board of Trustees based on an actuarial valuation. Plan members are required to contribute 7.0%, for Group I employees, and 11.80%, for Group II Fire personnel and 11.55% for Group II Police personnel, of their covered salary and the town is required to contribute at an actuarially determined rate. The Town's contribution rates as of December 31, 2021, were 14.06% for Group I employees, 33.88% for Group II Policemen, and 32.99% for Group II Firemen, as applicable. The Town's contributions to the System for the years ending December 31, 2021, 2020, and 2019 were \$404,222, \$352,360, and \$341,076, respectively.

NOTE 10 - DEFERRED COMPENSATION PLAN

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

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

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

NOTE 11 – PROPORTIONATE SHARE OF NET PENSION LIABILITY

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

General Information about the Pension Plan

Plan description. The New Hampshire Retirement System (NHRS) is a public employee retirement system that administers one cost-sharing multiple-employer defined benefit pension plan (Pension Plan). For additional NHRS information, please refer to the fiscal 2021 Comprehensive Annual Financial Report, which can be found on the NHRS website at www.nhrs.org.

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

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

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

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

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

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

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

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

TOWN OF HENNIKER

Notes to Basic Financial Statements December 31, 2021

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

The actuarial assumptions used in the June 30, 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.

The long-term expected rate of return on pension plan investments was selected from a best-estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each class:

Asset Class	Target Allocation	2021 Weighted Average Long-Term Expected Real Rate of Return
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
Total Domestic Equity	30.00%	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
Total International Equity	20.00%	
Core US Fixed Income	25.00%	3.60%
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%	6.60%
TOTAL	100.00%	

Discount rate. The discount rate used to measure the total pension liability was 6.75 percent. 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 and as required by RSA 100-A:16. Based on those assumptions, the Pension Plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investments was applied to all periods of projected benefits payments to determine the collective total pension liability.

Sensitivity of the Town's proportionate share of the net pension liability to changes in the discount rate. The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.75 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

TOWN OF HENNIKER

Notes to Basic Financial Statements December 31, 2021

	<u>1% Decrease</u>	<u>Current single rate assumption</u>	<u>1% Increase</u>
	<u>5.75%</u>	<u>6.75%</u>	<u>7.75%</u>
Employer's proportionate share of the net pension liability:			
December 31, 2021	\$ 4,720,673	\$ 3,300,906	\$ 2,116,588

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

As of December 31, 2021, the Town reported a liability of \$3,300,906 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town's proportion of the net pension liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating members, actuarially determined. As of December 31, 2021, the Town's proportion was 0.07448028 percent.

For the year ended December 31, 2021, the Town recognized pension expense of \$292,798. As of December 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Total Excluding Employer Contributions</u>
Differences between expected and actual experience	\$ 92,430	\$ 34,558	\$ 57,872
Net differences between projected and actual earnings on pension plan investments	-	923,188	(923,188)
Changes of assumptions	344,761	-	344,761
Changes in proportion and differences between Employer contributions and proportionate share of contributions	328,512	65,062	263,450
Employer contributions subsequent to the measurement date	206,931	-	NA
Total	<u>\$ 972,634</u>	<u>\$ 1,022,808</u>	<u>\$ (257,105)</u>

Deferred outflows of resources related to pensions resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

TOWN OF HENNIKER

Notes to Basic Financial Statements December 31, 2021

Year Ending December 31,		Deferred Outflows/(Inflows)
	2022	\$ (38,996)
	2023	(30,528)
	2024	(39,314)
	2025	<u>(148,267)</u>
Total		<u>\$ (257,105)</u>

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

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

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

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

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

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

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

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

TOWN OF HENNIKER

Notes to Basic Financial Statements December 31, 2021

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

Employees covered by benefit terms

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

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

Total OPEB Liability

The Town's total OPEB liability of \$212,638 was measured as of December 31, 2020 and was determined by an actuarial valuation as of January 1, 2020.

Actuarial assumptions and other inputs

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

Discount Rate	2.12%
Healthcare Cost Trend Rates:	
2020 Trend	0.90%
2021 Trend	9.50%
Decrement	0.50%
Ultimate Trend	5.00%
Year Ultimate Trend is Reached	2030
Salary Increases	2.00%

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

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

Significant Changes from the Previous Actuarial Valuation

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

TOWN OF HENNIKER

Notes to Basic Financial Statements December 31, 2021

Changes in the Total OPEB Liability

	Fiscal Year Ending December 31, 2021	
OPEB Liability Beginning of Year	\$	191,488
Changes for the year:		
Service Cost		19,661
Plan Change		-
Interest		4,033
Assumption Changes		-
Differences Between Actual and Expected Experience		-
Benefit payments		(2,544)
OPEB Liability End of Year	\$	212,638

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

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

	Discount Rate		
	1% Decrease	Baseline Rate	1% Increase
Total OPEB Liability	\$ 233,153	\$ 212,638	\$ 193,394

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

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

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline Rate	1% Increase
Total OPEB Liability	\$ 181,935	\$ 212,638	\$ 249,506

TOWN OF HENNIKER

Notes to Basic Financial Statements December 31, 2021

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

For the year ended December 31, 2021, the Town recognized an OPEB expense of \$(92,353). As of December 31, 2021, the Town reported deferred inflows and outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net
Balance, beginning	\$ 46,879	\$ 479,065	\$ (432,186)
Experience changes	-	-	-
Assumption changes	-	-	-
Amortization	(7,234)	(123,281)	116,047
Balance, ending	<u>\$ 39,645</u>	<u>\$ 355,784</u>	<u>\$ (316,139)</u>

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

For the Year Ending December 31,	Deferred Outflows	Deferred Inflows	Net
2022	\$ 7,234	\$ 123,281	\$ (116,047)
2023	7,234	123,281	(116,047)
2024	7,234	103,903	(96,669)
2025	7,234	2,144	5,090
2026	10,709	3,175	7,534
2027	-	-	-
Total	<u>\$ 39,645</u>	<u>\$ 355,784</u>	<u>\$ (316,139)</u>

B. NEW HAMPSHIRE RETIREMENT SYSTEM MEDICAL SUBSIDY OPEB PLAN

Plan description

In addition to the OPEB plan discussed in A. above, the Town participates in the New Hampshire Retirement System (NHRS) Medical Subsidy. The NHRS is a public employee retirement system which administers a cost-sharing, multiple-employer other postemployment benefit (OPEB) plan. For additional information, please refer to the system's website at www.nhrs.org.

Benefits

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

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

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

Contributions

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

Proportionate Share of NHRS Net OPEB Liability

The Town's proportionate share of the NHRS Medical Subsidy Net OPEB Liability as of the measurement date was \$280,690. The Town's proportion of the net OPEB liability was based on the Town's share of contributions to the pension plan relative to the contributions of all participating members, actuarially determined. As of December 31, 2021, the Town's proportion was 0.07009243 percent.

Actuarial assumptions and other inputs

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

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

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

Long-Term Rates of Return

The long-term expected rate of return on OPEB plan investments was selected from a best-estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. The following is a table presenting target allocations and geometric real rates of return for each asset class:

Asset Class	Target Allocation	2021 Weighted Average Long-Term Expected Real Rate of Return
Large Cap Equities	22.50%	6.46%
Small/Mid Cap Equities	7.50%	1.14%
Total Domestic Equity	30.00%	
Int'l Equities (unhedged)	14.00%	5.53%
Emerging Int'l Equities	6.00%	2.37%
Total International Equity	20.00%	
Core US Fixed Income	25.00%	3.60%
Total Fixed Income	25.00%	
Private Equity	10.00%	8.85%
Private Debt	5.00%	7.25%
Total Alternative Investments	15.00%	
Real Estate	10.00%	6.60%
TOTAL	100.00%	

Discount Rate

The discount rate used to measure the collective OPEB liability was 6.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and 100-A:53. Based on this assumption, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

TOWN OF HENNIKER

Notes to Basic Financial Statements December 31, 2021

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

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

	Discount Rate		
	1% Decrease	Baseline Rate	1% Increase
Total OPEB Liability	\$ 305,132	\$ 280,690	\$ 259,424

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

For the year ended December 31, 2021, the Town recognized an OPEB expense of \$41,900. As of December 31, 2021, the Town reported deferred inflows and outflows of resources related to the Net OPEB Liability from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources	Total exclusive of Employer Contribution
Differences between expected and actual experience	\$ -	\$ 59	\$ (59)
Net differences between projected and actual earnings on OPEB plan investments	-	3,506	(3,506)
Changes of assumptions	-	-	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	269	-	269
Employer contributions subsequent to the measurement date	14,825	-	NA
Total	\$ 15,094	\$ 3,565	\$ (3,296)

TOWN OF HENNIKER

Notes to Basic Financial Statements December 31, 2021

Deferred outflows of resources related to OPEB benefits resulting from Employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB liabilities will be recognized in pension expense as follows:

For the Year Ending December 31,	Deferred Outflows/(Inflows)
2022	\$ (796)
2023	(681)
2024	(763)
2025	(1,056)
Total	<u>\$ (3,296)</u>

C. CONSOLIDATED TOWN and NHRS OPEB LIABILITIES

The following consolidates the Town's total OPEB liability and related deferred outflows/inflows of resources, and the Town's proportionate share of the NHRS Medical Subsidy Net OPEB Liability and related deferred outflows/inflows of resources as of December 31, 2021.

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Total OPEB Expense
District OPEB Plan	\$ 212,638	\$ 39,645	\$ 355,784	\$ (92,353)
NHRS Medical Subsidy OPEB Plan	280,690	15,094	3,565	41,900
Total	<u>\$ 493,328</u>	<u>\$ 54,739</u>	<u>\$ 359,349</u>	<u>\$ (50,453)</u>

TOWN OF HENNIKER

Notes to Basic Financial Statements December 31, 2021

NOTE 13 - FUND BALANCE COMPONENTS

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

	General Fund	Common Trust Funds	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable:				
Prepaid expenditures	\$ 30,850	\$ -	-	\$ 30,850
Endowment principal - Common Trust Funds	-	5,934,948	-	5,934,948
Restricted:				
Library Fund	-	-	356,633	356,633
Conservation Fund	-	-	117,383	117,383
Recreation Revolving Fund	-	-	80,870	80,870
Drug Forfeiture Fund	-	-	3,083	3,083
Common Trust Funds	-	200,801	-	200,801
Committed:				
Capital reserves	1,643,669	-	-	1,643,669
Committed at town meeting	-	-	-	-
Assigned:				
Water Fund	-	-	465,301	465,301
Sewer Fund	-	-	392,383	392,383
Encumbrances	41,687	-	-	41,687
Unassigned:	1,488,820	-	-	1,488,820
	<u>\$ 3,205,026</u>	<u>\$ 6,135,749</u>	<u>\$ 1,415,653</u>	<u>\$ 10,756,428</u>

NOTE 14 - RESTATEMENT OF EQUITY

Beginning net position/fund balance was restated as follows:

	Fiduciary - Custodial Funds
Implementation of GASB Statement No. 84	\$ 435,783
Net position/fund balance, as previously reported	<u>-</u>
Net position/fund balance, as restated	<u>\$ 435,783</u>

NOTE 15 – SUBSEQUENT EVENTS

At the March 12, 2022, Annual Town Meeting the town voted to authorize the Town officials to issue and negotiate serial bonds and notes not to exceed \$3,200,000 under and in compliance with the provisions of the Municipal Finance Act (RSA 33) for the purpose of performing Wastewater Upgrades. Additionally, the article authorized the Town to apply for and accept grants and other funds that may be used to reduce the amount to be repaid.