

4/5/2024

New Hampshire Department of Environmental Services  
Type 1B Modification to Solid Waste Management Facility Permit  
1.5 MW (AC) Solar Array – 9 Cross Road, Exeter, New Hampshire

Supplement - Updated Financial Assurance Documentation

**Prepared For (Applicant):**

Town of Exeter  
10 Front St.  
Exeter, New Hampshire  
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**Existing Permit Number:** DES-SW-SP-1992-001

**Site Number:** 123456789

**Project Name:** Solid Waste Bureau Trial Project

**Project Number:** 35797 Special Projects 10/26/2015

**Prepared By:**

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## LOCAL GOVERNMENT (LOGO) FINANCIAL TEST For Inactive or Capped Municipal Landfills



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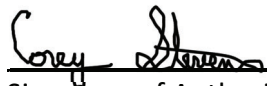
RSA 149-M/Env-Sw 1405.02

**2024** LOCAL GOVERNMENT FINANCIAL TEST FOR THE TOWN/CITY OF Exeter, New Hampshire  
for fiscal year ending 12/31/2022.

1. Annual revenue\* for this fiscal year was \$ 39,519,971.
  2. Total estimated post-closure costs for the 30-year monitoring period \$ 1,559,951.80.
  3. Does the Town/City have a current bond rating? **Yes or No** NO  
  
3a. If yes, who is it rated by:  
☐ Moody's  
☐ Standard and Poor's  
3b. What is the bond rating \_\_\_\_\_?
  4. Is the Town/City currently part of a bond issue through the New Hampshire Municipal Bond Bank?  
**Yes or No** YES
  5. Is the Town/City currently in default on any outstanding general obligation bond or bond issued by the New Hampshire Municipal Bond Bank? **Yes or No** NO
- Note: If you answered Yes to question #3 and/or #4 please continue with question #6. If you answered No to both question #3 and #4 please answer the following before proceeding to question #6:**
- 5a. Total Cash and Securities<sup>†</sup> for this fiscal year was \$ \_\_\_\_\_.
  - 5b. Total Expenditures for this fiscal year was \$ \_\_\_\_\_.
  - 5c. Annual Debt Service for this fiscal year was \_\_\_\_\_.
  - 5d. Cash and Securities / Total Expenditures = \_\_\_\_\_. (Must be  $\geq .05$  to pass)
  - 5e. Annual Debt Service / Total Expenditures = \_\_\_\_\_. (Must be  $\leq .20$  to pass)
6. Has the Town/City operated at a deficit equal to five percent or more of total annual revenues in each of the past two fiscal years? **Yes or No** NO
  7. Are the Town/City financial statements prepared in conformity with Generally Accepted Accounting Principles? **Yes or No** YES
  8. What audit opinion did the Town's/City's latest audited annual financial statements receive? **Qualified or Unqualified.** If qualified, please explain Unqualified opinion was issued for 2022, which is the latest year audited.

## 9. Signature

The undersigned representative certifies that by formal action of the governing body he/she has been authorized to file this document on behalf of the Town/City. Furthermore, the undersigned representative certifies that the Town/City as part of the Facility's public record maintains a copy of this form as well as the documentation necessary to complete this form.



Signature of Authorized Representative

April 5, 2024

Date

Corey Stevens, Finance Director

Printed or Typed Name and Title of Authorized Representative

\* The sum of General, Special Revenue, Debt Service, and Capital Projects Funds, "Total Operating Revenues" of Enterprise Funds, "Total Non-Operating Revenues" of Enterprise Funds, if positive, and "Total Non-Operating Revenues" of Internal Service Funds, if positive, for the Town/City.

† The sum of cash, cash equivalents, and current investments in the General, Special Revenue, Debt Service, Enterprise, and Internal Service Funds. Items excluded are accounts receivable, retirement assets, real property, fixed assets, and other non-current assets as well as any assets in Capital Projects Funds for the Town/City.



## **TOWN OF EXETER, NEW HAMPSHIRE**

Financial Statements  
For the Year Ended December 31, 2022

(With Independent Auditors' Report Thereon)

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## INDEPENDENT AUDITORS' REPORT

To the Select Board  
**Town of Exeter, New Hampshire**

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Exeter, New Hampshire (the Town), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Exeter, New Hampshire, as of December 31, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditors' Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Town's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis, the budgetary comparison for the General Fund, and certain pension and OPEB schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 20, 2024 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control over financial reporting and compliance.

*Marcum LLP*

Andover, MA  
March 20, 2024

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the Town of Exeter, New Hampshire (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2022.

### **Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

#### ***Government-Wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

The Statement of Net Position presents information on all assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, public works, health and human services, welfare, culture and recreation, sanitation, conservation, and interest on long-term debt. The business-type activities include water and sewer services.

#### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. The Town's funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

### *Governmental Funds*

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the Town's near-term financing decisions. Reconciliations are provided to facilitate this comparison between governmental funds and governmental activities.

### *Proprietary Funds*

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position, and cash flows.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for water and sewer services, which are considered to be major funds.

### *Fiduciary Funds*

Fiduciary funds are used to account for resources held for the benefit of parties outside the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

### ***Notes to Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

### ***Required Supplementary Information (Other Than MD&A)***

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

## Financial Highlights

- As of the close of the current fiscal year, net position in governmental activities was \$16,783,283, a change of \$2,007,880, and net position in business-type activities was \$25,336,237, a change of \$4,224,807.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$12,429,194 a decrease of \$310,313 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,073,629, a decrease of \$2,431,684 in comparison to the prior year.

## Government-Wide Financial Analysis

The following is a summary of condensed government-wide financial data for the current and prior fiscal year:

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
Assets						
Current and other assets	\$ 38,802,794	\$ 34,347,134	\$ 12,969,892	\$ 12,461,758	\$ 51,772,686	\$ 46,808,892
Capital assets	<u>34,347,357</u>	<u>32,051,041</u>	<u>74,894,617</u>	<u>74,175,269</u>	<u>109,241,974</u>	<u>106,226,310</u>
Total assets	73,150,151	66,398,175	87,864,509	86,637,027	161,014,660	153,035,202
Deferred outflows of resources	2,737,284	2,752,773	313,384	327,700	3,050,668	3,080,473
Liabilities						
Other liabilities	24,627,111	20,135,894	1,229,917	45,327,920	25,857,028	65,463,814
Long term liabilities	<u>32,789,417</u>	<u>28,757,002</u>	<u>61,301,815</u>	<u>19,794,702</u>	<u>94,091,232</u>	<u>48,551,704</u>
Total liabilities	57,416,528	48,892,896	62,531,732	65,122,622	119,948,260	114,015,518
Deferred inflows of resources	1,687,624	5,482,649	309,924	730,675	1,997,548	6,213,324
Net Position						
Net investment in capital assets	22,018,579	21,454,376	20,594,077	17,819,991	42,612,656	39,274,367
Restricted	5,776,337	4,602,013	-	-	5,776,337	4,602,013
Unrestricted	<u>(11,011,633)</u>	<u>(11,280,986)</u>	<u>4,742,160</u>	<u>3,291,439</u>	<u>(6,269,473)</u>	<u>(7,989,547)</u>
Total net position	<u>\$ 16,783,283</u>	<u>\$ 14,775,403</u>	<u>\$ 25,336,237</u>	<u>\$ 21,111,430</u>	<u>\$ 42,119,520</u>	<u>\$ 35,886,833</u>

As noted earlier, net position may serve over time as a useful indicator of the Town's financial position. At the close of the most recent fiscal year, total net position was \$42,119,520, an increase of \$6,232,687 in comparison to the prior year.

The largest portion of net position, \$42,612,656, reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position, \$5,776,337, represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position is a deficit of \$(6,269,473) which is primarily a result of the Town's unfunded net pension and total/net OPEB liabilities.

CHANGE IN NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	2022	2021	2022	2021	2022	2021
<b>Revenues</b>						
Program revenues:						
Charges for services	\$ 3,414,694	\$ 3,291,403	\$ 11,912,869	\$ 10,824,027	\$ 15,327,563	\$ 14,115,430
Operating grants and contributions	1,131,385	533,360	-	-	1,131,385	533,360
Capital grants and contributions	46,154	521,944	1,778,510	298,879	1,824,664	820,823
General revenues:						
Property taxes	14,994,158	14,070,738	-	-	14,994,158	14,070,738
Motor vehicle registrations	3,201,160	3,225,709	-	-	3,201,160	3,225,709
Penalties, interest, and other taxes	202,089	300,452	-	-	202,089	300,452
Grants and contributions not restricted to specific programs	1,831,900	1,434,080	-	-	1,831,900	1,434,080
Investment income (loss)	168,123	37,002	77,397	(10,300)	245,520	26,702
Miscellaneous	193,658	370,154	-	-	193,658	370,154
Total revenues	25,183,321	23,784,842	13,768,776	11,112,606	38,952,097	34,897,448
<b>Expenses</b>						
General government	5,899,713	3,684,508	-	-	5,899,713	3,684,508
Public safety	7,924,138	7,410,278	-	-	7,924,138	7,410,278
Public works	5,612,107	3,187,603	-	-	5,612,107	3,187,603
Health and human services	146,909	295,751	-	-	146,909	295,751
Welfare	236,159	196,428	-	-	236,159	196,428
Culture and recreation	1,595,889	2,289,347	-	-	1,595,889	2,289,347
Sanitation	1,320,262	1,186,252	-	-	1,320,262	1,186,252
Conservation	158,747	150,611	-	-	158,747	150,611
Interest on long-term debt	153,260	376,542	-	-	153,260	376,542
Water services	-	-	3,883,316	3,032,415	3,883,316	3,032,415
Sewer services	-	-	5,788,910	6,466,537	5,788,910	6,466,537
Total expenses	23,047,184	18,777,320	9,672,226	9,498,952	32,719,410	28,276,272
Change in net position before transfers	2,136,137	5,007,522	4,096,550	1,613,654	6,232,687	6,621,176
Transfers in (out)	(128,257)	(143,001)	128,257	143,001	-	-
Change in net position	2,007,880	4,864,521	4,224,807	1,756,655	6,232,687	6,621,176
Net position - beginning of year	14,775,403	9,910,882	21,111,430	19,354,775	35,886,833	29,265,657
Net position - end of year	\$ 16,783,283	\$ 14,775,403	\$ 25,336,237	\$ 21,111,430	\$ 42,119,520	\$ 35,886,833

**Governmental Activities**

Governmental activities for the year resulted in a change in net position of \$2,575,574. Key elements of this change are as follows:

Decrease in net pension liability, net of deferred outflows/inflows	\$ 372,199
Decrease in total/net OPEB liability, net of deferred outflows/inflows	90,195
General Fund operations, net of debt service subsidy	(1,800,648)
Epping Road TIF revenues	1,865,914
Current year revenues used for capital assets	1,666,446
Other	<u>(186,226)</u>
Total	\$ <u>2,007,880</u>

**Business-Type Activities**

Business-type activities for the year resulted in a change in net position of \$4,224,807. Key elements of this change are as follows:

Water services	\$ 559,907
Sewer services	<u>3,664,900</u>
Total	\$ <u>4,224,807</u>

The primary factor for the positive change in net position was the result of a water/sewer rate study, which was effective for January 1, 2018, and is now in phase 5 as of December 31, 2021. The Town implemented increased water/sewer rates to ensure rates are at a level to cover current and future operating and capital expenses. In addition, the Town received capital contributions from the State in the form of grants and debt forgiveness on infrastructure projects.

**Financial Analysis of the Town's Funds**

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**

The focus of governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing financing requirements. In particular, unassigned fund balance may serve as a useful measure of the Town's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$12,429,194, an decrease of \$310,313 in comparison to the prior year. Key elements of this change are as follows:

General Fund operations	\$ (428,125)
Capital Project Fund bond proceeds, premiums, and revenues less than expenditures	(963,157)
Epping Road TIF activity (including related debt service)	1,218,560
Other	<u>(137,591)</u>
Total	\$ <u>(310,313)</u>

#### *General Fund*

The General Fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$3,073,629, while total fund balance was \$6,250,009. The unassigned fund balance decreased primarily from the settlement of the Riverwood abatement case. As a measure of the General Fund's liquidity, it may be useful to compare both unassigned fund balance under GAAP and the Town's tax rate setting fund balance (See Note 18) to total general fund appropriations. Refer to the table below:

<u>General Fund</u>	<u>12/31/22</u>	<u>12/31/21</u>	<u>Change</u>	% of Total General Fund Appropriations
Unassigned fund balance	\$ 3,073,629	\$ 5,505,313	\$ (2,431,684)	NA
Tax rate setting fund balance	\$ 4,858,356	\$ 6,773,350	\$ (1,914,994)	5.88%

The Town's fund balance policy requires a minimum level tax rate setting fund balance (See Note 18) of the General Fund between 5-17% of total appropriations.

The total fund balance of the General Fund decreased by \$(428,125) during the current fiscal year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (1,000,000)
Revenues and transfers in greater than budget	64,296
Expenditures less than budget (transfers out in excess)	71,382
Change in capital reserves	421,256
Other	<u>14,941</u>
Total	\$ <u>(428,125)</u>

Included in the total fund balance of the General Fund are the capital reserve accounts with the following balances:

	<u>12/31/22</u>	<u>12/31/21</u>	<u>Change</u>
Capital reserves	\$ 971,212	\$ 549,956	\$ 421,256

A detailed breakdown of capital reserves can be found in Note 17.

#### *Proprietary Funds*

Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$4,742,160, a increase of \$1,450,721 over the prior year resulting primarily from the substantial debt service principle payments made in 2022.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

#### **General Fund Budgetary Highlights**

The only differences, other than reclassifications, between the original budget and the final amended budget related to carryforwards of prior year appropriations.

#### **Capital Assets and Debt Administration**

##### ***Capital Assets***

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$109,241,974 (net of accumulated depreciation), an increase of \$3,015,664 from the prior year. This investment in capital assets includes land, buildings, improvements, machinery, equipment and furnishing, works of art, and infrastructure.

Major capital asset events during the current year included the following:

- Water and sewer infrastructure enhancements
- Acquisition of 10 Hampton Road
- Epping Road, Spring Street, and Winter Street infrastructure improvements
- Custom pumper fire engine
- Acquisition of various vehicles and pieces of equipment

Additional information on capital assets can be found in Note 9.



***Long-Term Debt***

At the end of the current fiscal year, total bond and state revolving loans outstanding were \$70,189,803 (inclusive of bond premiums), all of which was backed by the full faith and credit of the Town.

Additional information on long-term debt can be found in Note 15.

***Credit Rating***

Presently, the Town is not publicly rated.

**Requests for Information**

This financial report is designed to provide a general overview of the Town of Exeter, New Hampshire's finances for all those with an interest in the Town's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Town Manager  
Town of Exeter, New Hampshire  
10 Front Street  
Exeter, New Hampshire 03833

**TOWN OF EXETER, NEW HAMPSHIRE**

Statement of Net Position  
December 31, 2022

	<u>Governmental</u> <u>Activities</u>	<u>Business-Type</u> <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Current Assets:			
Cash and short-term investments	\$ 33,769,112	\$ 11,308,987	\$ 45,078,099
Investments	325,050	-	325,050
Receivables, net of allowance for uncollectibles:			
Property taxes	3,472,784	-	3,472,784
User fees	-	1,349,273	1,349,273
Departmental	697,242	-	697,242
Intergovernmental	22,654	-	22,654
Other assets	<u>-</u>	<u>311,632</u>	<u>311,632</u>
Total Current Assets	38,286,842	12,969,892	51,256,734
Noncurrent Assets:			
Receivables, net of allowance for uncollectibles:			
Property taxes	515,952	-	515,952
Capital assets:			
Capital assets, net			
of accumulated depreciation	19,171,782	69,706,477	88,878,259
Capital assets, nondepreciable	<u>15,175,575</u>	<u>5,188,140</u>	<u>20,363,715</u>
Total Noncurrent Assets	<u>34,863,309</u>	<u>74,894,617</u>	<u>109,757,926</u>
Total Assets	73,150,151	87,864,509	161,014,660
<b>Deferred Outflows of Resources</b>			
Related to pension	2,662,249	292,195	2,954,444
Related to OPEB	<u>75,035</u>	<u>21,189</u>	<u>96,224</u>
Total Deferred Outflows of Resources	2,737,284	313,384	3,050,668

(continued)

The accompanying notes are an integral part of these financial statements.

**TOWN OF EXETER, NEW HAMPSHIRE**

Statement of Net Position  
December 31, 2022

(continued)

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable	1,309,961	881,228	2,191,189
Retainage payable	16,898	54,818	71,716
Accrued liabilities	676,013	293,871	969,884
Due to external parties	19,090,502	-	19,090,502
Deposits held in custody	1,375,292	-	1,375,292
Unearned revenue	1,997,302	-	1,997,302
Other current liabilities	161,143	-	161,143
Current portion of long-term liabilities:			
Bonds payable	1,602,810	4,461,230	6,064,040
Compensated absences liability	30,974	6,539	37,513
Loans payable	<u>222,455</u>	<u>29,856</u>	<u>252,311</u>
Total Current Liabilities	26,483,350	5,727,542	32,210,892
Noncurrent Liabilities:			
Bonds payable, net of current portion	9,903,449	54,222,314	64,125,763
Net pension liability	17,586,779	1,930,232	19,517,011
Total/Net OPEB liability	1,869,199	527,825	2,397,024
Compensated absences liability, net of current portion	586,474	123,819	710,293
Loans payable, net of current portion	<u>987,277</u>	<u>-</u>	<u>987,277</u>
Total Noncurrent Liabilities	<u>30,933,178</u>	<u>56,804,190</u>	<u>87,737,368</u>
Total Liabilities	57,416,528	62,531,732	119,948,260
<b>Deferred Inflows of Resources</b>			
Related to pension	873,626	95,885	969,511
Related to OPEB	757,979	214,039	972,018
Other	<u>56,019</u>	<u>-</u>	<u>56,019</u>
Total Deferred Inflows of Resources	1,687,624	309,924	1,997,548
<b>Net Position</b>			
Net investment in capital assets	22,018,579	20,594,077	42,612,656
Restricted for:			
Grants programs and other statutory restrictions	5,397,670	-	5,397,670
Permanent funds:			
Nonexpendable	53,454	-	53,454
Expendable	325,213	-	325,213
Unrestricted	<u>(11,011,633)</u>	<u>4,742,160</u>	<u>(6,269,473)</u>
Total Net Position	\$ <u>16,783,283</u>	\$ <u>25,336,237</u>	\$ <u>42,119,520</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF EXETER, NEW HAMPSHIRE**

Statement of Activities  
For the Year Ended December 31, 2022

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for	Operating	Capital	Governmental	Business-	
	<u>Expenses</u>	<u>Services</u>	<u>Grants and</u>	<u>Grants and</u>	<u>Activities</u>	<u>Type</u>	<u>Total</u>
			<u>Contributions</u>	<u>Contributions</u>		<u>Activities</u>	
<b>Governmental Activities</b>							
General government	\$ 5,899,713	\$ 655,748	\$ 736,694	\$ -	\$ (4,507,271)	\$ -	\$ (4,507,271)
Public safety	7,924,138	1,325,549	354,430	-	(6,244,159)	-	(6,244,159)
Public works	5,612,107	768,780	-	46,154	(4,797,173)	-	(4,797,173)
Health and human services	146,909	-	3,203	-	(143,706)	-	(143,706)
Welfare	236,159	-	-	-	(236,159)	-	(236,159)
Culture and recreation	1,595,889	643,638	37,056	-	(915,195)	-	(915,195)
Sanitation	1,320,262	20,979	2	-	(1,299,281)	-	(1,299,281)
Conservation	158,747	-	-	-	(158,747)	-	(158,747)
Interest on long-term debt	153,260	-	-	-	(153,260)	-	(153,260)
Total Governmental Activities	23,047,184	3,414,694	1,131,385	46,154	(18,454,951)	-	(18,454,951)
<b>Business-Type Activities</b>							
Water services	3,883,316	4,281,859	-	-	-	398,543	398,543
Sewer services	5,788,910	7,631,010	-	1,778,510	-	3,620,610	3,620,610
Total Business-Type Activities	9,672,226	11,912,869	-	1,778,510	-	4,019,153	4,019,153
Total	\$ 32,719,410	\$ 15,327,563	\$ 1,131,385	\$ 1,824,664	(18,454,951)	4,019,153	(14,435,798)
<b>General Revenues and Transfers</b>							
					14,994,158	-	14,994,158
Property taxes					3,201,160	-	3,201,160
Motor vehicle registrations					202,089	-	202,089
Penalties, interest, and other taxes					1,831,900	-	1,831,900
Grants and contributions not restricted to specific programs					168,123	77,397	245,520
Investment income					193,658	-	193,658
Miscellaneous					(128,257)	128,257	-
Transfers, net					20,462,831	205,654	20,668,485
Total general revenues and transfers					2,007,880	4,224,807	6,232,687
Change in Net Position							
<b>Net Position</b>							
Beginning of year					14,775,403	21,111,430	35,886,833
End of year					\$ 16,783,283	\$ 25,336,237	\$ 42,119,520

The accompanying notes are an integral part of these financial statements.

**TOWN OF EXETER, NEW HAMPSHIRE**

Governmental Funds  
Balance Sheet  
December 31, 2022

	General Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and short-term investments	\$ 25,488,919	\$ 751,642	\$ 7,528,551	\$ 33,769,112
Investments	-	-	325,050	325,050
Receivables:				
Property taxes	3,988,736	-	-	3,988,736
Departmental	80,274	-	616,968	697,242
Intergovernmental	<u>-</u>	<u>21,533</u>	<u>1,121</u>	<u>22,654</u>
Total Assets	<u>\$ 29,557,929</u>	<u>\$ 773,175</u>	<u>\$ 8,471,690</u>	<u>\$ 38,802,794</u>
<b>Liabilities</b>				
Accounts payable	\$ 839,737	\$ 347,531	\$ 122,693	\$ 1,309,961
Retainage payable	-	16,898	-	16,898
Accrued liabilities	534,483	-	-	534,483
Due to custodial funds	19,090,502	-	-	19,090,502
Deposits held in custody	1,375,292	-	-	1,375,292
Unearned revenue	-	-	1,997,302	1,997,302
Other liabilities	<u>161,643</u>	<u>-</u>	<u>-</u>	<u>161,643</u>
Total Liabilities	22,001,657	364,429	2,119,995	24,486,081
<b>Deferred Inflows of Resources</b>				
Unavailable revenues	1,250,244	-	581,256	1,831,500
Taxes collected in advance	56,019	-	-	56,019
<b>Fund Balances</b>				
Nonspendable	-	-	53,454	53,454
Restricted	1,655,746	566,218	5,722,883	7,944,847
Committed	971,212	-	-	971,212
Assigned	549,422	-	-	549,422
Unassigned	<u>3,073,629</u>	<u>(157,472)</u>	<u>(5,898)</u>	<u>2,910,259</u>
Total Fund Balance	<u>6,250,009</u>	<u>408,746</u>	<u>5,770,439</u>	<u>12,429,194</u>
Total Liabilities, Deferred Inflows of Resources, and Fund Balances	<u>\$ 29,557,929</u>	<u>\$ 773,175</u>	<u>\$ 8,471,690</u>	<u>\$ 38,802,794</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF EXETER, NEW HAMPSHIRE**

Reconciliation of Total Governmental Fund Balances  
to Net Position of Governmental Activities  
in the Statement of Net Position  
December 31, 2022

<b>Total governmental fund balances</b>	\$ 12,429,194
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	34,347,357
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	1,831,500
Deferred outflows of resources to be recognized as an increase to pension and OPEB expense in future periods:	
Related to pension	2,662,249
Related to OPEB	75,035
In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.	(141,030)
Long-term liabilities are not due and payable in the current period and, therefore are not reported in governmental funds:	
Bonds payable	(11,506,259)
Net pension liability	(17,586,779)
Net OPEB liability	(1,869,199)
Compensated absences liability	(617,448)
Loans payable	(1,209,732)
Deferred inflows of resources to be recognized as a decrease to pension and OPEB expense in future periods:	
Related to pension	(873,626)
Related to OPEB	(757,979)
<b>Net position of governmental activities</b>	<u><u>\$ 16,783,283</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF EXETER, NEW HAMPSHIRE**

Governmental Funds  
Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended December 31, 2022

	General Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Revenues</b>				
Property taxes	\$ 12,955,706	\$ -	\$ 1,865,914	\$ 14,821,620
Motor vehicle registrations	3,201,160	-	-	3,201,160
Penalties, interest, and other taxes	202,089	-	-	202,089
Charges for services	1,019,165	-	1,831,158	2,850,323
Intergovernmental	1,875,773	46,154	1,048,913	2,970,840
Licenses and permits	470,362	-	-	470,362
Investment income	166,343	-	1,780	168,123
Contributions	-	-	38,599	38,599
Miscellaneous	<u>188,514</u>	<u>-</u>	<u>-</u>	<u>188,514</u>
Total Revenues	20,079,112	46,154	4,786,364	24,911,630
<b>Expenditures</b>				
Current:				
General government	4,019,402	-	1,014,023	5,033,425
Public safety	8,267,560	-	839,133	9,106,693
Public works	2,813,201	-	129,967	2,943,168
Health and human services	145,863	-	2,525	148,388
Welfare	236,359	-	-	236,359
Culture and recreation	1,503,421	-	960,003	2,463,424
Sanitation	1,320,262	-	-	1,320,262
Conservation	158,406	-	-	158,406
Debt service:				
Principal	915,812	-	420,000	1,335,812
Interest	446,828	-	149,175	596,003
Capital outlay	<u>2,052,646</u>	<u>2,196,881</u>	<u>-</u>	<u>4,249,527</u>
Total Expenditures	<u>21,879,760</u>	<u>2,196,881</u>	<u>3,514,826</u>	<u>27,591,467</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,800,648)	(2,150,727)	1,271,538	(2,679,837)
<b>Other Financing Sources (Uses)</b>				
Proceeds of bonds and loans	1,247,781	1,111,000	-	2,358,781
Premiums from issuance of bonds	-	139,000	-	139,000
Transfers in	262,472	277	45,420	308,169
Transfers out	<u>(137,730)</u>	<u>(62,707)</u>	<u>(235,989)</u>	<u>(436,426)</u>
Total Other Financing Sources (Uses)	<u>1,372,523</u>	<u>1,187,570</u>	<u>(190,569)</u>	<u>2,369,524</u>
Change in Fund Balance	(428,125)	(963,157)	1,080,969	(310,313)
Fund Balance at Beginning of Year	<u>6,678,134</u>	<u>1,371,903</u>	<u>4,689,470</u>	<u>12,739,507</u>
Fund Balance at End of Year	\$ <u>6,250,009</u>	\$ <u>408,746</u>	\$ <u>5,770,439</u>	\$ <u>12,429,194</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF EXETER, NEW HAMPSHIRE**

Reconciliation of the Statement of Revenues,  
Expenditures, and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
for the Year Ended December 31, 2022

<b>Net changes in fund balances - total governmental funds</b>	\$ (310,313)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital outlay	3,625,130
Depreciation	(1,328,814)

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures, and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (e.g., property taxes) differ between the two statements. This amount represents the net change in unavailable revenue.

294,361

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position:

Repayments of bonds	1,335,812
Repayments of loans payable	255,396
Issuance of bonds and loans	(2,358,781)
Premiums from issuance of bonds	(139,000)

In the Statement of Activities, interest is accrued on outstanding long-term debt, whereas in governmental funds interest is not reported until due.

21,636

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:

Change in net pension liability, net of related deferred outflows and inflows of resources	372,199
Change in net OPEB liability, net of related deferred outflows and inflows of resources	90,195
Change in compensated absences liability	2,033
Bond premium amortization	148,026

<b>Change in net position of governmental activities</b>	<b>\$ <u>2,007,880</u></b>
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The accompanying notes are an integral part of these financial statements.



**TOWN OF EXETER, NEW HAMPSHIRE**

Proprietary Funds  
Statement of Net Position  
December 31, 2022

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>Assets</b>			
Current Assets:			
Cash and short-term investments	\$ 3,704,098	\$ 7,604,889	\$ 11,308,987
User fees receivable, net of allowance for uncollectibles	454,356	894,917	1,349,273
Prepaid items	<u>311,632</u>	<u>-</u>	<u>311,632</u>
Total Current Assets	4,470,086	8,499,806	12,969,892
Noncurrent Assets:			
Land and construction in progress	2,961,713	2,226,427	5,188,140
Capital assets, net of accumulated depreciation	<u>15,526,060</u>	<u>54,180,417</u>	<u>69,706,477</u>
Total Noncurrent Assets	<u>18,487,773</u>	<u>56,406,844</u>	<u>74,894,617</u>
Total Assets	22,957,859	64,906,650	87,864,509
<b>Deferred Outflows of Resources</b>			
Related to pension	146,836	145,359	292,195
Related to OPEB	<u>10,094</u>	<u>11,095</u>	<u>21,189</u>
Total Deferred Outflows of Resources	156,930	156,454	313,384
<b>Liabilities</b>			
Current Liabilities:			
Accounts payable	508,156	373,072	881,228
Retainage payable	29,727	25,091	54,818
Accrued liabilities	187,039	106,832	293,871
Current portion of long-term liabilities:			
Bonds payable	1,255,785	3,205,445	4,461,230
Compensated absences liability	6,539	-	6,539
Loans payable	<u>14,928</u>	<u>14,928</u>	<u>29,856</u>
Total Current Liabilities	2,002,174	3,725,368	5,727,542
Noncurrent Liabilities:			
Bonds payable, net of current portion	9,671,137	44,551,177	54,222,314
Net pension liability	969,995	960,237	1,930,232
Net OPEB liability	251,448	276,377	527,825
Compensated absences liability, net of current portion	<u>123,819</u>	<u>-</u>	<u>123,819</u>
Total Noncurrent Liabilities	<u>11,016,399</u>	<u>45,787,791</u>	<u>56,804,190</u>
Total Liabilities	13,018,573	49,513,159	62,531,732
<b>Deferred Inflows of Resources</b>			
Related to pension	48,185	47,700	95,885
Related to OPEB	<u>101,965</u>	<u>112,074</u>	<u>214,039</u>
Total Liabilities and Deferred Inflows of Resources	150,150	159,774	309,924
<b>Net Position</b>			
Net investment of capital assets	9,655,742	10,938,335	20,594,077
Unrestricted	<u>290,324</u>	<u>4,451,836</u>	<u>4,742,160</u>
Total Net Position	<u>\$ 9,946,066</u>	<u>\$ 15,390,171</u>	<u>\$ 25,336,237</u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF EXETER, NEW HAMPSHIRE**

Proprietary Funds  
Statement of Revenues, Expenses, and Changes in Net Position  
For the Year Ended December 31, 2022

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>Operating Revenues</b>			
Charges for services	\$ 4,179,241	\$ 7,631,010	\$ 11,810,251
Other	<u>102,618</u>	<u>-</u>	<u>102,618</u>
Total Operating Revenues	4,281,859	7,631,010	11,912,869
<b>Operating Expenses</b>			
Salaries and benefits	1,242,160	1,161,112	2,403,272
Other operating expenses	1,758,116	1,587,657	3,345,773
Depreciation	<u>540,492</u>	<u>1,892,629</u>	<u>2,433,121</u>
Total Operating Expenses	<u>3,540,768</u>	<u>4,641,398</u>	<u>8,182,166</u>
Operating Income	741,091	2,989,612	3,730,703
<b>Nonoperating Revenues (Expenses)</b>			
Investment income	28,880	48,517	77,397
Interest expense	<u>(342,548)</u>	<u>(1,147,512)</u>	<u>(1,490,060)</u>
Total Nonoperating Revenue (Expenses), net	<u>(313,668)</u>	<u>(1,098,995)</u>	<u>(1,412,663)</u>
Income Before Capital Contributions and Transfers	427,423	1,890,617	2,318,040
<b>Capital Contributions and Transfers</b>			
Capital contributions	-	1,778,510	1,778,510
Transfers in	137,730	12	137,742
Transfers out	<u>(5,246)</u>	<u>(4,239)</u>	<u>(9,485)</u>
Change in Net Position	559,907	3,664,900	4,224,807
Net Position at Beginning of Year	<u>9,386,159</u>	<u>11,725,271</u>	<u>21,111,430</u>
Net Position at End of Year	\$ <u><u>9,946,066</u></u>	\$ <u><u>15,390,171</u></u>	\$ <u><u>25,336,237</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF EXETER, NEW HAMPSHIRE**

Proprietary Funds  
Statement of Cash Flows  
For the Year Ended December 31, 2022

	Business-Type Activities		
	Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>Cash Flows From Operating Activities</b>			
Receipts from customers and users	\$ 4,232,947	\$ 7,542,339	\$ 11,775,286
Payments to vendors and employees	<u>(2,574,258)</u>	<u>(2,782,787)</u>	<u>(5,357,045)</u>
Net Cash Provided By Operating Activities	1,658,689	4,759,552	6,418,241
<b>Cash Flows From Noncapital Financing Activities</b>			
Transfers in	137,730	12	137,742
Transfer out	<u>(5,246)</u>	<u>(4,239)</u>	<u>(9,485)</u>
Net Cash Provided By (Used for) Noncapital Financing Activities	132,484	(4,227)	128,257
<b>Cash Flows From Capital and Related Financing Activities</b>			
Proceeds from issuance of bonds	888,800	-	888,800
Premiums from issuance of bonds	111,200	-	111,200
Acquisition and construction of capital assets	(1,845,183)	(1,307,286)	(3,152,469)
Principal payments on bonds	(1,118,993)	(586,522)	(1,705,515)
Principal payments on notes	-	(2,620,678)	(2,620,678)
Principal payments on leases	(14,539)	(14,539)	(29,078)
Interest expense	(659,404)	(1,147,512)	(1,806,916)
Intergovernmental revenue	<u>-</u>	<u>1,778,510</u>	<u>1,778,510</u>
Net Cash (Used For) Capital and Related Financing Activities	<u>(2,638,119)</u>	<u>(3,898,027)</u>	<u>(6,536,146)</u>
<b>Cash Flows From Investing Activities</b>			
Investment income (loss)	<u>50</u>	<u>48,517</u>	<u>48,567</u>
Net Cash Provided By Investing Activities	<u>50</u>	<u>48,517</u>	<u>48,567</u>
Net Change in Cash and Short-Term Investments	(846,896)	905,815	58,919
Cash and Short-Term Investments, Beginning of Year	<u>4,550,994</u>	<u>6,699,074</u>	<u>11,250,068</u>
Cash and Short-Term Investments, End of Year	\$ <u><u>3,704,098</u></u>	\$ <u><u>7,604,889</u></u>	\$ <u><u>11,308,987</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities</b>			
Operating income	\$ 741,091	\$ 2,989,612	\$ 3,730,703
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation	540,492	1,892,629	2,433,121
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees receivable	(48,912)	(88,671)	(137,583)
Deferred outflows related to pension	(3,177)	(3,146)	(6,323)
Deferred outflows related to OPEB	9,832	10,807	20,639
Accounts and retainage payable	456,406	(360)	456,046
Net pension liability	190,437	188,522	378,959
Net OPEB liability	(18,505)	(20,339)	(38,844)
Other liabilities	2,274	-	2,274
Deferred inflows related to pension	(207,789)	(205,699)	(413,488)
Deferred inflows related to OPEB	<u>(3,460)</u>	<u>(3,803)</u>	<u>(7,263)</u>
Net Cash Provided By Operating Activities	\$ <u><u>1,658,689</u></u>	\$ <u><u>4,759,552</u></u>	\$ <u><u>6,418,241</u></u>

The accompanying notes are an integral part of these financial statements.

**TOWN OF EXETER, NEW HAMPSHIRE**

Fiduciary Funds  
Statement of Fiduciary Net Position  
December 31, 2022

	Private Purpose Trust <u>Funds</u>	Custodial <u>Funds</u>
<b>Assets</b>		
Cash and short-term investments	\$ 5,111	\$ -
Due from primary government	<u>-</u>	<u>19,090,502</u>
Total Assets	5,111	19,090,502
<b>Liabilities</b>		
Due to school districts	<u>-</u>	<u>19,090,502</u>
Total Liabilities	<u>-</u>	\$ <u>19,090,502</u>
<b>Net Position</b>		
Restricted for other purposes	\$ <u><u>5,111</u></u>	

The accompanying notes are an integral part of these financial statements.

**TOWN OF EXETER, NEW HAMPSHIRE**

Fiduciary Funds  
Statement of Changes in Fiduciary Net Position  
For the Year Ended December 31, 2022

	Private Purpose Trust <u>Funds</u>	Custodial <u>Funds</u>
<b>Additions</b>		
Taxes collected for school districts	\$ -	\$ 40,111,594
Taxes collected for County	-	1,975,906
Fees collected for State of New Hampshire	-	925,102
Interest	<u>17</u>	<u>-</u>
Total Additions	17	43,012,602
<b>Deductions</b>		
Payment of taxes to school districts	-	40,111,594
Payment of taxes to County	-	1,975,906
Payments of fees to State of New Hampshire	<u>-</u>	<u>925,102</u>
Total Deductions	<u>-</u>	<u>43,012,602</u>
Change in Net Position	17	-
<b>Net position restricted for other purposes</b>		
Beginning of year	<u>5,094</u>	<u>-</u>
End of year	\$ <u><u>5,111</u></u>	\$ <u><u>-</u></u>

The accompanying notes are an integral part of these financial statements.

## TOWN OF EXETER, NEW HAMPSHIRE

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Exeter, New Hampshire (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental and financial reporting principals. The following is a summary of the more significant policies:

##### ***Reporting Entity***

The Town is a municipal corporation governed by an elected Select Board. As required by GAAP, these financial statements present the Town and applicable component units for which the Town is considered to be financially accountable. In 2022, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

##### ***Government-Wide and Fund Financial Statements***

###### *Government-Wide Financial Statements*

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

###### *Fund Financial Statements*

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded for the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

#### ***Government-Wide Financial Statements***

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

#### ***Fund Financial Statements***

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 considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Revenues from grants, entitlements, and donations are recognized when all eligibility requirements have been satisfied and they are measurable and available. All other revenue items are considered to be measurable and available only when cash is received by the Town. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, compensated absences, pension, and OPEB are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *General Fund* is the Town's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.
- The *Capital Project Fund* accounts for the activity pertaining to various infrastructure construction/renovation projects.

The proprietary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of enterprise funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- The *Water Fund* accounts for the operating activities and capital projects of the Town's water services.
- The *Sewer Fund* accounts for the operating activities and capital projects of the Town's sewer services.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The Town reports the following fiduciary funds:

- The *Private-Purpose Trust Fund* is used to account for trust arrangements, other than those properly reported in permanent funds, under which principal and investment income exclusively benefit individuals.
- The *Custodial Funds* account for fiduciary assets held by the Town in a custodial capacity as an agent on behalf of others and are not required to be reported elsewhere on the financial statements. Custodial funds include taxes and fees collected on behalf of other governments.

### ***Cash and Investments***

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Certain special revenue and fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts. A cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the financial statements under the caption "cash and short-term investments". The interest earnings attributable to each fund type are included under investment income.

For purpose of the Statement of Cash Flows, the proprietary funds consider investments with original maturities of three months or less to be short-term investments.



State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

### ***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and the proprietary fund statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$10,000 and an estimated useful life in excess of five years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	30
Building improvements	20
Infrastructure	25
Vehicles	5-15
Office equipment	5
Computer equipment	5

### ***Compensated Absences***

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

### ***Long-Term Obligations***

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

### ***Fund Equity***

Fund equity at the governmental fund financial reporting level is classified as “fund balance”. Fund equity for all other reporting is classified as “net position”.

### ***Fund Balance***

Generally, fund balance represents the difference between current assets/deferred outflows of resources and current liabilities/deferred inflows of resources. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and, therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

### ***Net Position***

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

### ***Use of Estimates***

The preparation of basic financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements, and the reported amounts of revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

## **2. Stewardship, Compliance, and Accountability**

### ***Budgetary Information***

The Town’s budget is originally prepared by the Town Manager under the supervision of the Select Board. It is then reviewed by the Budget Recommendations Committee. The Select Board then finalizes the operating budget, which is subject to deliberative session under RSA 40:13.

The final version of the budget is then voted on by the general population at the ballot the second Tuesday in March of each year. Should the operating budget of the Town fail to pass, the Town operates under a default budget as described in RSA 40:13.

The approved budget is subsequently reported to the State of New Hampshire on the Report of Appropriations Actually Voted form in order to establish the current property tax rate.

The Select Board cannot increase the total of the approved budget; however, they have the power to reclassify its components when necessary.

***Deficit Fund Equity***

The following funds had deficits as of December 31, 2022:

<u>Capital Project Fund</u>	
Fire grants	\$ <u>(5,898)</u>

The deficit in this fund will be eliminated through future departmental revenues.

**3. Cash and Short-Term Investments**

***Custodial Credit Risk***

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. RSA 48:16 limits deposits to "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, except that a Town with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." The Town does not have a deposit policy for custodial credit risk.

As of December 31, 2022, none of the Town's bank balance of \$43,857,455 was exposed to custodial credit risk as uninsured and/or uncollateralized.

**4. Investments**

The following is a summary of the Town's investments as of December 31, 2022:

<u>Investment Type</u>	<u>Amount</u>
Equity mutual funds	\$ 130,020
Fixed income mutual funds	<u>195,030</u>
Total investments	\$ <u>325,050</u>

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments. The Town does not have formal investment policies related to credit risk.

Presented below is the rating as of year-end for each investment type of the Town.

<u>Investment Type</u>	<u>Amount</u>	<u>Rating as of Year End</u>			
		<u>Aa2</u>	<u>A2</u>	<u>Baa2</u>	<u>Unrated</u>
Fixed income mutual funds	\$ <u>195,030</u>	\$ <u>22,365</u>	\$ <u>68,805</u>	\$ <u>40,519</u>	\$ <u>63,341</u>
Total	\$ <u>195,030</u>	\$ <u>22,365</u>	\$ <u>68,805</u>	\$ <u>40,519</u>	\$ <u>63,341</u>

**Custodial Credit Risk**

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Town will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Town does not have formal investment policies related to custodial credit risk.

As of December 31, 2022, none of the Town's investments were subject to custodial credit risk exposure because the related securities were held by the Town's brokerage firm, which is also the counterparty to these securities.

**Concentration of Credit Risk**

The Town places no limit on the amount that may be invested in any one issuer. The Town does not have formal investment policies related to concentration of credit risk exposure.

As of December 31, 2022, the Town did not have an investment in one issuer greater than 5% of total investments.

**Interest Rate Risk**

Interest rate risk 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 formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations was as follows at December 31, 2022:

<u>Investment Type</u>	<u>Amount</u>	<u>Investment Maturities (in Years)</u>		
		<u>1-5</u>	<u>6-10</u>	<u>Thereafter</u>
Fixed income mutual funds	\$ <u>195,030</u>	\$ <u>62,409</u>	\$ <u>109,217</u>	\$ <u>23,404</u>
Total	\$ <u>195,030</u>	\$ <u>62,409</u>	\$ <u>109,217</u>	\$ <u>23,404</u>

### ***Foreign Currency Risk***

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The Town does not have formal investment policies related to foreign currency risk. At December 31, 2022 none of the Town's investments were exposed to foreign currency risk.

### ***Fair Value***

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of an asset or a liability and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that are accessible at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as Level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The Town had the following fair value measurements as of December 31, 2022:

<u>Investment Type</u>	<u>Amount</u>	<u>Fair Value Measurements Using:</u>		
		Quoted prices in active markets for identical assets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Equity mutual funds	\$ 130,020	\$ 130,020	\$ -	\$ -
Fixed income mutual funds	<u>195,030</u>	<u>195,030</u>	<u>-</u>	<u>-</u>
Total	\$ <u>325,050</u>	\$ <u>325,050</u>	\$ <u>-</u>	\$ <u>-</u>

Equity and fixed income mutual funds classified in Level 1 are valued using prices quoted in active markets for those securities.

## 5. Property Taxes

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the year for which taxes have been levied. Property taxes are due on July 1 and December 1. Delinquent accounts are charged 8% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs, and accrued interest. The accounts that are lienied by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 14%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Property taxes receivable at December 31, 2022 consisted of the following:

	<u>Current Portion</u>	<u>Long- Term Portion</u>
Property taxes	\$ 3,472,784	\$ -
Tax liens	<u>-</u>	<u>515,952</u>
Total property taxes	\$ <u>3,472,784</u>	\$ <u>515,952</u>

## 6. User Fees Receivable

Each year, the Town issues quarterly water/sewer bills. Bills include a base rate and consumption charge based on usage. Seasonal water bills are issued once a year.

Receivables for user charges at December 31, 2022 consisted of the following:

Water	\$ 454,356
Sewer	<u>894,917</u>
Total	<u>\$ 1,349,273</u>

## 7. Intergovernmental Receivables

This balance represents reimbursements requested from federal and state agencies for expenditures incurred in 2022.

## 8. Interfund Transfers

The Town reports interfund transfers between various funds. The following is an analysis of interfund transfers made in 2022:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 262,472	\$ 137,730
Capital Project Fund	277	62,707
Nonmajor Governmental Funds:		
EMS	-	178,094
Other special revenue funds	45,420	57,895
Enterprise Funds:		
Water	137,730	5,246
Sewer	<u>12</u>	<u>4,239</u>
Total	<u>\$ 445,911</u>	<u>\$ 445,911</u>

The \$178,094 transfer out of the EMS fund represents the annual transfer of 95% of the previous year's EMS balance to the General Fund. The transfer of \$137,730 from the General Fund to the Water Fund represents the annual debt service payment for the water tank distribution system. Other transfers are used to (1) move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them, (2) use restricted revenues collected in the General Fund to finance various programs and accounted for in other funds, in accordance with budgetary authorizations.

## 9. Capital Assets

Capital asset activity for the year ended December 31, 2022 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 8,622,918	\$ 676,763	\$ -	\$ 9,299,681
Machinery, equipment, and furnishings	9,813,260	371,009	(146,775)	10,037,494
Infrastructure	<u>16,474,870</u>	<u>814,320</u>	<u>-</u>	<u>17,289,190</u>
Total capital assets, being depreciated	34,911,048	1,862,092	(146,775)	36,626,365
Less accumulated depreciation for:				
Buildings and improvements	(3,858,214)	(287,809)	-	(4,146,023)
Machinery, equipment, and furnishings	(6,338,989)	(642,881)	146,775	(6,835,095)
Infrastructure	<u>(6,075,341)</u>	<u>(398,124)</u>	<u>-</u>	<u>(6,473,465)</u>
Total accumulated depreciation	<u>(16,272,544)</u>	<u>(1,328,814)</u>	<u>146,775</u>	<u>(17,454,583)</u>
Total capital assets, being depreciated, net	18,638,504	533,278	-	19,171,782
Capital assets, not being depreciated:				
Land	11,813,252	518,442	-	12,331,694
Works of art	646,500	-	-	646,500
Construction in progress	<u>952,785</u>	<u>1,998,204</u>	<u>(753,608)</u>	<u>2,197,381</u>
Total capital assets, not being depreciated	<u>13,412,537</u>	<u>2,516,646</u>	<u>(753,608)</u>	<u>15,175,575</u>
Governmental activities capital assets, net	<u>\$ 32,051,041</u>	<u>\$ 3,049,924</u>	<u>\$ (753,608)</u>	<u>\$ 34,347,357</u>
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Business-Type Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 177,530	\$ -	\$ -	\$ 177,530
Machinery, equipment, and furnishings	12,206,145	52,102	-	12,258,247
Infrastructure	<u>91,874,548</u>	<u>-</u>	<u>-</u>	<u>91,874,548</u>
Total capital assets, being depreciated	104,258,223	52,102	-	104,310,325
Less accumulated depreciation for:				
Buildings and improvements	(177,530)	-	-	(177,530)
Machinery, equipment, and furnishings	(3,303,476)	(718,079)	-	(4,021,555)
Infrastructure	<u>(28,689,721)</u>	<u>(1,715,042)</u>	<u>-</u>	<u>(30,404,763)</u>
Total accumulated depreciation	<u>(32,170,727)</u>	<u>(2,433,121)</u>	<u>-</u>	<u>(34,603,848)</u>
Total capital assets, being depreciated, net	72,087,496	(2,381,019)	-	69,706,477
Capital assets, not being depreciated:				
Land	196,590	-	-	196,590
Construction in progress	<u>1,891,183</u>	<u>3,100,367</u>	<u>-</u>	<u>4,991,550</u>
Total capital assets, not being depreciated	<u>2,087,773</u>	<u>3,100,367</u>	<u>-</u>	<u>5,188,140</u>
Business-type activities capital assets, net	<u>\$ 74,175,269</u>	<u>\$ 719,348</u>	<u>\$ -</u>	<u>\$ 74,894,617</u>



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

Governmental Activities	
General government	\$ 118,035
Public safety	419,974
Public works	723,101
Culture and recreation	63,667
Conservation	<u>4,037</u>
Total governmental activities	<u>\$ 1,328,814</u>
Business-Type Activities	
Water	\$ 540,492
Sewer	<u>1,892,629</u>
Total business-type activities	<u>\$ 2,433,121</u>

#### **10. Deferred Outflows of Resources**

Deferred outflows of resources represent the consumption of net assets by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pension and OPEB, in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, are more fully discussed in the corresponding pension and OPEB notes.

#### **11. Accounts Payable and Accrued Liabilities**

Accounts payable and accrued liabilities represent 2022 expenditures paid after December 31, 2022.

#### **12. Retainage Payable**

This balance represents amounts set aside as agreed upon between the Town and contractors performing work on the various projects on Salem Street including sewer siphons. These funds will be released once project requirements are met and work is substantially complete.

### 13. Due to School Districts

The school district assessments for the period July 1, 2022 through June 30, 2023, were \$18,882,810 for the Exeter School District and \$21,228,784 for the Exeter Regional Cooperative. The school district assessments are paid in monthly installments. As of December 31, 2022, \$10,249,134 and \$10,771,958 was paid, respectively, leaving a total balance of \$19,090,502 to be paid through June 30, 2023.

### 14. Loans Payable

The Town has financed certain equipment and vehicles with direct loans expiring in various years through 2031. Future minimum payments consisted of the following as of December 31, 2022:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 252,311	\$ 41,891	\$ 294,202
2024	230,508	33,038	263,546
2025	160,910	24,688	185,598
2026	166,650	18,947	185,597
2027-2031	<u>429,209</u>	<u>54,257</u>	<u>483,466</u>
Total	\$ <u>1,239,588</u>	\$ <u>172,821</u>	\$ <u>1,412,409</u>

### 15. Long-Term Debt

#### ***General Obligation Bonds***

The Town issues general obligation bonds (direct placements) and state revolving loans (direct borrowings) to provide funds for the acquisition and construction of major capital facilities. General obligation bonds (direct placements) and state revolving loans (direct borrowings) have been issued for governmental and business-type activities. General obligation bonds and state revolving loans at December 31, 2022 were as follows:

	Serial	Interest	Amount
	Maturities		Outstanding
	Through	Rate(s)	as of
<u>Governmental Activities - Direct Placements</u>			<u>12/31/22</u>
Great Dam Removal	07/15/24	5.10%	\$ 310,000
Recreation Park	08/15/24	5.10%	90,000
Salem St. Utility Design	08/15/24	5.10%	10,154
Linden St. Culvert	08/15/25	2.54%	199,700
Design/Construction of Sidewalks	08/15/25	2.54%	164,700
Court St. Culvert	08/15/27	5.10%	556,263
String Bridge	08/15/28	2.55%	60,000
Epping Rd. Tax Increment Financing	08/15/28	2.55%	2,505,000
Lincoln St. Phase 2	07/15/32	4.10 - 5.10%	971,876
Public library	08/15/35	2.10 - 5.10%	3,309,825
Salem St. Utility Improvements	08/15/36	3.10 - 5.10%	778,294
Recreation Center Building	08/15/32	2.63%	<u>1,111,000</u>
Total Governmental Activities - Direct Placements			\$ <u>10,066,812</u>
	Serial	Interest	Amount
	Maturities		Outstanding
	Through	Rate(s)	as of
<u>Business-Type Activities - Direct Placements</u>			<u>12/31/22</u>
Portsmouth Ave. Sewer Lines	08/15/23	2.54%	\$ 79,731
Portsmouth Ave. Water Lines	08/15/23	2.54%	15,270
Sewer Lines	08/15/24	5.10%	30,000
Water Mains	08/15/24	5.10%	240,000
Salem St. Utility Design - Sewer	08/15/24	5.10%	49,077
Salem St. Utility Design - Water	08/15/24	5.10%	50,770
Court St. Culvert	08/15/27	5.10%	18,737
Washington St. Water Line	08/15/28	2.55%	315,000
Epping Rd.	09/01/28	3.97%	735,000
Jady Hill Phase II	07/14/32	2.00 - 4.00%	1,275,000
Lincoln St. Phase 2	08/15/32	4.10 - 5.10%	628,124
Groundwater Resources	08/15/35	2.10 - 5.10%	315,000
Salem St. Utility Improvements - Sewer	08/15/36	3.10 - 5.10%	1,225,235
Salem St. Utility Improvements - Water	08/15/36	3.10 - 5.10%	1,926,471
Sludge Removal	08/15/36	3.10 - 5.10%	2,005,000
Groundwater Exploration	08/15/32	2.63%	<u>888,800</u>
Total Business-Type Activities - Direct Placements			\$ <u>9,797,215</u>

	Serial	Interest	Amount Outstanding as of
<u>Business-Type Activities - Direct Borrowings</u>	<u>Maturities Through</u>	<u>Rate(s)</u>	<u>12/31/22</u>
Water Tank State Revolving Loan	08/15/29	1.35%	\$ 1,438,924
Groundwater Treatment Facility	01/01/36	1.96%	3,783,337
Surface Water Treatment Plant Upgrades	03/01/29	1.07%	617,690
Wastewater Treatment Plant	12/15/38	2.00%	<u>41,930,850</u>
Total Business-Type Activities - Direct Borrowings			<u>\$ 47,770,801</u>

### ***Future Debt Service***

The annual payments to retire all general obligation (direct placements) long-term debt outstanding as of December 31, 2022 were as follows:

<u>Governmental</u>	<u>Direct Placements</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2023	\$ 1,440,884	\$ 471,999	\$ 1,912,883
2024	1,376,059	396,918	1,772,977
2025	1,169,392	329,137	1,498,529
2026	1,044,992	271,886	1,316,878
2027	1,044,990	218,591	1,263,581
2028 - 2032	3,008,691	485,643	3,494,334
2033 - 2036	<u>981,804</u>	<u>49,559</u>	<u>1,031,363</u>
Total	<u>\$ 10,066,812</u>	<u>\$ 2,223,733</u>	<u>\$ 12,290,545</u>

<u>Business-Type</u>	<u>Direct Placements</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2023	\$ 1,203,942	\$ 446,393	\$ 1,650,335
2024	1,108,942	382,203	1,491,145
2025	920,008	327,769	1,247,777
2026	810,008	284,330	1,094,338
2027	810,010	244,152	1,054,162
2028 - 2032	3,486,109	704,919	4,191,028
2033 - 2036	<u>1,458,196</u>	<u>116,654</u>	<u>1,574,850</u>
Total	<u>\$ 9,797,215</u>	<u>\$ 2,506,420</u>	<u>\$ 12,303,635</u>

The annual payments to retire all state revolving loans (direct borrowings) outstanding as of December 31, 2022 were as follows:

<u>Business-Type</u>	<u>Direct Borrowings</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2023	\$ 3,168,912	\$ 967,581	\$ 4,136,493
2024	3,181,024	902,115	4,083,139
2025	3,193,479	836,307	4,029,786
2026	3,206,285	770,147	3,976,432
2027	3,219,453	703,627	3,923,080
2028 - 2032	14,889,816	2,567,231	17,457,047
2033 - 2037	14,291,152	1,107,030	15,398,182
2038	2,620,680	52,414	2,673,094
Total	<u>\$ 47,770,801</u>	<u>\$ 7,906,452</u>	<u>\$ 55,677,253</u>

### ***Changes in Long-Term Liabilities***

During the year ended December 31, 2022, the following changes occurred in long-term liabilities:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less: Current Portion</u>	<u>Equals Long-Term Portion</u>
<b>Governmental Activities</b>						
Bonds payable - direct placements	\$ 10,291,624	\$ 1,111,000	\$ (1,335,812)	\$ 10,066,812	\$ (1,440,884)	\$ 8,625,928
Unamortized premiums	<u>1,448,473</u>	<u>139,000</u>	<u>(148,026)</u>	<u>1,439,447</u>	<u>(161,926)</u>	<u>1,277,521</u>
Subtotal bonds payable	11,740,097	1,250,000	(1,483,838)	11,506,259	(1,602,810)	9,903,449
Net pension liability	14,133,995	3,452,784	-	17,586,779	-	17,586,779
Net OPEB liability	2,006,761	-	(137,562)	1,869,199	-	1,869,199
Compensated absences	619,481	-	(2,033)	617,448	(30,974)	586,474
Loans payable	<u>217,347</u>	<u>1,247,781</u>	<u>(255,396)</u>	<u>1,209,732</u>	<u>(222,455)</u>	<u>987,277</u>
Totals	<u>\$ 28,717,681</u>	<u>\$ 5,950,565</u>	<u>\$ (1,878,829)</u>	<u>\$ 32,789,417</u>	<u>\$ (1,856,239)</u>	<u>\$ 30,933,178</u>
<b>Business-Type Activities</b>						
Bonds payable - direct placements	\$ 10,029,052	\$ 888,800	\$ (1,120,637)	\$ 9,797,215	\$ (1,203,942)	\$ 8,593,273
State revolving loans - direct borrowings	50,927,931	-	(3,157,130)	47,770,801	(3,168,912)	44,601,889
Unamortized premiums	<u>1,081,584</u>	<u>111,200</u>	<u>(77,256)</u>	<u>1,115,528</u>	<u>(88,376)</u>	<u>1,027,152</u>
Subtotal bonds payable	62,038,567	1,000,000	(4,355,023)	58,683,544	(4,461,230)	54,222,314
Net pension liability	1,551,273	378,959	-	1,930,232	-	1,930,232
Net OPEB liability	566,669	-	(38,844)	527,825	-	527,825
Compensated absences	130,787	-	(429)	130,358	(6,539)	123,819
Loans payable	<u>58,934</u>	<u>-</u>	<u>(29,078)</u>	<u>29,856</u>	<u>(29,856)</u>	<u>-</u>
Totals	<u>\$ 64,346,230</u>	<u>\$ 1,378,959</u>	<u>\$ (4,423,374)</u>	<u>\$ 61,301,815</u>	<u>\$ (4,497,625)</u>	<u>\$ 56,804,190</u>

### ***Long-Term Debt Supporting Governmental and Business-Type Activities***

General obligation bonds and state revolving loans issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the General Fund and user fees recorded in enterprise funds. All other long-term debt is repaid from the funds that the cost relates to, primarily the General Fund and enterprise funds.

## 16. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net assets by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. Deferred inflows of resources related to pension and OPEB will be recognized in expense in future years and are more fully described in Notes 19 and 20, respectively.

The following is a summary of other deferred inflows of resources balances as of December 31, 2022:

	<u>Entity-Wide Basis</u>	<u>Fund Basis</u>	
	Governmental <u>Activities</u>	Governmental Funds	
		<u>General Fund</u>	<u>Nonmajor</u>
Unavailable revenues	\$ -	\$ 1,250,244	\$ 581,256
Taxes collected in advance	<u>56,019</u>	<u>56,019</u>	<u>-</u>
	<u>\$ 56,019</u>	<u>\$ 1,306,263</u>	<u>\$ 581,256</u>

Unavailable revenues are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

Taxes collected in advance are reported in the governmental funds balance sheet and government-wide statement of net position in connection with subsequent year property tax revenue collections which are not available for use in the current year.

## 17. Governmental Funds – Fund Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town has implemented *GASB Statement No. 54, (GASB 54) Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at December 31, 2022:

### ***Nonspendable***

Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance

classification includes nonmajor governmental fund reserves for the principal portion of permanent trust funds.

***Restricted***

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes bonded capital projects, various special revenue funds, and the income portion of permanent trust funds.

***Committed***

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes capital reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements.

***Assigned***

Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period.

***Unassigned***

Represents amounts that are available to be spent in future periods and deficit funds.

Following is a breakdown of the Town's fund balances at December 31, 2022:

	General Fund	Capital Project Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 53,454	\$ 53,454
Total Nonspendable	-	-	53,454	53,454
Restricted				
Abatements	1,349,548	-	-	1,349,548
Other restriction	306,198	-	-	306,198
Other bonded projects	-	566,218	-	566,218
Special revenue funds:				
Cable TV	-	-	136,587	136,587
Recreation	-	-	233,966	233,966
Energy	-	-	35,379	35,379
Library	-	-	186,001	186,001
EMS	-	-	275,335	275,335
Epping Road TIF	-	-	4,255,436	4,255,436
Other special revenue funds	-	-	274,966	274,966
Expendable permanent funds:				
Swasey Parkway	-	-	325,051	325,051
Other	-	-	162	162
Total Restricted	1,655,746	566,218	5,722,883	7,944,847
Committed				
Capital reserves:				
Transportation fund	147,359	-	-	147,359
Swasey Parkway maintenance	92,423	-	-	92,423
Sick leave	147,805	-	-	147,805
Capital improvement	145,772	-	-	145,772
Parks improvement	198,149	-	-	198,149
Other capital reserve funds	239,704	-	-	239,704
Total Committed	971,212	-	-	971,212
Assigned				
Encumbrances	549,422	-	-	549,422
Total Assigned	549,422	-	-	549,422
Unassigned	3,073,629	(157,472)	(5,898)	2,910,259
Total Unassigned	3,073,629	(157,472)	(5,898)	2,910,259
Total Fund Balance	\$ 6,250,009	\$ 408,746	\$ 5,770,439	\$ 12,429,194

## 18. General Fund Unassigned Fund Balance

The unassigned General Fund balance reported on the balance sheet is stated in accordance with GAAP, which differs in respect to how unassigned fund balance is reported in accordance with the budgetary basis for reporting to the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire considers



revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting for the General Fund unassigned fund balance:

GAAP basis balance	\$ 3,073,629
Unavailable revenue	1,250,244
Accrued payroll	<u>534,483</u>
Tax Rate Setting Balance	<u>\$ 4,858,356</u>

## 19. New Hampshire Retirement System

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to State of New Hampshire Retirement System (NHRS).

### ***Plan Description***

Full-time employees participate in the New Hampshire Retirement System (NHRS), a cost sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The 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 of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the governing body of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507 or from their website at <https://www.nhrs.org>.

### ***Benefits Provided***

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 January 1, 2012. 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 <u>January 1, 2012</u>	<u>Minimum Service</u>	<u>Minimum Age</u>	<u>Benefit Multiplier</u>
At least 8 but less than 10 years	21	46	2.4%
At least 6 but less than 8 years	22	47	2.3%
At least 4 but less than 6 years	23	48	2.2%
Less than 4 years	24	49	2.1%

### ***Contributions***

Plan members are required to contribute a percentage of their gross earnings to the pension plan, for which the contribution rates are 7% for employees and teachers, 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, III, which is 14.06% for employees, 33.88% for police, and 32.99% for fire. The Town's contributions to NHRS for the year ended December 31, 2022 was \$1,970,081, which was equal to its annual required contribution.

### ***Summary of Significant Accounting Policies***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred (inflows) of resources related to pensions, and pension expense, information about the fiduciary net position of the NHRS and additions to/deductions from NHRS' fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to Pensions***

At December 31, 2022, the Town reported a liability of \$19,517,011 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. 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 employers, actuarially determined. At June 30, 2022, the Town's proportion was 0.34024693%.

For the year ended December 31, 2022, the Town recognized pension expense of \$1,557,031. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 366,300	\$ (74,923)
Changes of assumptions	1,038,149	-
Net difference between projected and actual earnings on pension plan investments	739,670	-
Changes in proportion and differences between contributions and proportionate share of contributions	2,199	(894,588)
Contributions subsequent to the measurement date	<u>808,126</u>	<u>-</u>
Total	<u>\$ 2,954,444</u>	<u>\$ (969,511)</u>

The \$808,126 reported as deferred outflows of resources related to pension resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2023. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pension will be recognized as increases(decreases) in pension expense as follows:

Year Ended December 31:

2023	\$ 462,762
2024	382,777
2025	(564,711)
2026	<u>895,979</u>
Total	<u>\$ 1,176,807</u>

**Actuarial Assumptions**

The collective total pension liability in the June 30, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.00%
Wage inflation	2.75%
Salary increases	5.40% average, including inflation
Investment rate of return	6.75%, net of investment expenses, including inflation

Mortality rates were updated to be 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.

Actuarial assumptions also reflect benefit changes resulting from CH 340 laws of 2019 (HB 616), which grants a one-time, 1.5% COLA on the first \$50,000 of an annual pension benefit to members who retired on or before July 1, 2014, or any beneficiaries of such member who is receiving a survivorship pension benefit. The COLA will take effect on the retired member's first anniversary date of retirement occurring after July 1, 2020. The adjustment shall become a permanent addition to the member's base retirement allowance.

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.

**Target Allocation**

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. The target allocation and best

estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Weighted Average Average Long- Term Expected Real Rate of Return</u>
Broad US Equity	30.00 %	7.60%
Global Ex-US Equity	<u>20.00</u>	7.90%
Public Equity	50.00	
Real Estate Equity	10.00	6.60%
Private Equity	<u>10.00</u>	8.85%
Private Market Equity	20.00	
Core US Fixed Income	<u>25.00</u>	3.60%
Total fixed income	25.00	
Private debt	<u>5.00</u>	7.25%
Total Private debt	<u>5.00</u>	
Inflation	<u>-</u>	2.25%
Total	<u><u>100.00</u></u> %	

#### ***Discount Rate***

The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that the 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 benefit payments to determine the total pension liability.

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

1% Decrease <u>(5.75%)</u>	Current Discount Rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
\$ 26,186,909	\$ 19,517,011	\$13,971,609

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued NHRS financial report.

**20. Other Post-Employment Benefits (GASB 75)**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred (inflows) of resources, and expense/expenditures. This statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

***Town OPEB Plan***

All the following OPEB disclosures for the Town OPEB Plan are based on an actuarial valuation performed as of January 1, 2021, with a measurement date of December 31, 2022.

***General Information about the OPEB Plan***

**Plan Description**

The Town provides post-employment healthcare benefits for retired employees through the Town's plan. The Town provides health insurance coverage through HealthTrust. The OPEB plan is not administered through a trust that meets the criteria in paragraph 4 of GASB 75.

The Town indirectly provides post-employment healthcare for retired employees through an implicit rate covered by current employees. Retirees of the Town who participate in

this single-employer plan pay 100% of the healthcare premiums to participate in the Town's healthcare program. Since they are included in the same pool as active employees, the insurance rates are implicitly higher for current employees due to the age consideration. This increased rate is an implicit subsidy the Town pays for the retirees.

#### Benefits Provided

The Town provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

#### Plan Membership

At January 1, 2021, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	43
Active employees	<u>129</u>
Total	<u><u>172</u></u>

#### Funding Policy

The Town's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute.

#### *Actuarial Assumptions and Other Inputs*

The total OPEB liability was determined by an actuarial valuation as of January 1, 2021, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount rate	3.72%, previously 2.06%
Annual payroll increase	2.50%
Healthcare cost trend rates	9.00% for 2021, fluctuating 1.00%, to an ultimate rate of 5.00% as of 2025 and later years
Participation rate	50% of the current active employees

The discount rate was based on the Bond Buyer's 20 Bond Index at December 31, 2022.

Mortality rates were based on the RPH-2014 Total Dataset mortality table projected fully generationally using projection scale MP-2019.

#### *Discount Rate*

The discount rate used to measure the total OPEB liability was 3.72%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

#### *Changes in the Total OPEB Liability*

The following summarizes the changes to the total OPEB liability for the past year:

	Total OPEB <u>Liability</u>
Balance, beginning of year	\$ 1,203,447
Changes for the year:	
Service cost	78,305
Interest	25,605
Differences between expected and actual experience	-
Changes of assumptions	(164,487)
Benefit payments	<u>(77,961)</u>
Net Changes	<u>(138,538)</u>
Balance, end of year	\$ <u>1,064,909</u>

Changes in assumptions reflect a change in the discount rate from 2.06% in 2021 to 3.72% in 2022 and a 1% decrease in the healthcare cost trend rates from the prior year.

#### *Sensitivity of the Total OPEB Liability to Changes in the Discount Rate*

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using the discount rate of 2.06%, 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 discount rate:

1% Decrease <u>(2.72%)</u>	Current Discount Rate <u>(3.72%)</u>	1% Increase <u>(4.72%)</u>
\$ 1,160,640	\$ 1,064,909	\$ 978,703



*Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
\$ 942,828	\$ 1,064,909	\$ 1,210,784

*OPEB Expense and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to OPEB*

For the year ended December 31, 2022, the Town recognized an OPEB expense of \$(60,483). At December 31, 2022, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred (Inflows) of Resources</u>
Differences between expected and actual experience	\$ -	\$ (699,372)
Changes in assumptions	<u>92,583</u>	<u>(272,646)</u>
Total	\$ <u>92,583</u>	\$ <u>(972,018)</u>

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

<u>Year Ended December 31:</u>	
2023	\$ (164,393)
2024	(164,393)
2025	(152,253)
2026	(147,303)
2027	(147,303)
Thereafter	<u>(103,790)</u>
Total	\$ <u>(879,435)</u>

### ***New Hampshire Retirement System Medical Subsidy Plan Description***

All the following OPEB disclosures for the New Hampshire Retirement System Medical Subsidy Plan are based upon an actuarial valuation performed as of June 30, 2021, using a measurement date of June 30, 2022.

#### ***General Information about the OPEB Plan***

##### **Plan Description**

In addition to the pension plan discussed previously, the Town participates in the New Hampshire Retirement System (NHRS) Medical Subsidy. The NHRS administers a cost-sharing, multiple-employer other post-employment benefit plan (OPEB Plan) for retiree health insurance subsidies. Benefit amounts and eligibility requirements are set by state law, and members are designated by type. The four membership types are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees and Group I State Employees. Collectively, they are referred to as the OPEB Plan. The OPEB Plan is closed to new entrants.

NHRS issues publicly available financial reports that can be obtained by writing to them at 54 Regional Drive, Concord, New Hampshire 03301-8507 or from their website at <https://www.nhrs.org/>.

##### **Benefits Provided**

The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS to the former employer or their insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving OPEB Plan benefits differ for Group I and Group II members. The monthly Medical Subsidy rates are:

1 Person - \$375.56
2 Person - \$751.12
1 Person Medicare Supplement - \$236.84
2 person Medicare Supplement - \$473.68

##### **Contributions**

Pursuant to RSA 100-A:16, III, and the biennial actuarial valuation, funding for the Medical Subsidy payment is via the employer contributions rates set forth by NHRS. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the NHRS actuary using the entry age normal funding method and are expressed as a percentage of earnable compensation. The Town contributed 0.31% of earnable compensation for Group I employees and 3.21% of earnable compensation for Group II fire and police department

members, respectively. Employees are not required to contribute. The State Legislature has the authority to establish, amend, and discontinue the contribution requirements of the Medical Subsidy plan.

#### Actuarial Assumptions and Other Inputs

Actuarial assumptions for the collective total OPEB liability are the same as the Retirement System, which is disclosed in Note 19.

#### Net OPEB Liability, Expense, and Deferred Outflows and (Inflows)

The Town's proportionate share of the net NHRS Medical Subsidy (net OPEB liability) as of the measurement date of June 30, 2022 was \$1,332,115 representing 0.35251597%.

For the year ended December 31, 2022, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$89,124. At December 31, 2022, the Town's deferred outflows and (inflows) of resources related to OPEB were not material.

#### Sensitivity of the Net NHRS Medical Subsidy OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability calculated using the discount rate of 6.75%, 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 discount rate:

	Current	
1%	Discount	1%
Decrease	Rate	Increase
<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
\$ 1,446,237	\$ 1,332,115	\$ 1,232,722

#### Healthcare Cost Trend Rate

Healthcare cost trend rates are not applicable given that the benefits are fixed stipends.

***Consolidation of Total/Net OPEB Liabilities and Related Deferred Outflows and (Inflows)***

Below is a summary of all OPEB related items in the aggregate as of December 31, 2022. Details related to these items are presented separately for each plan on the previous pages.

	Total/Net OPEB <u>Liability</u>	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>	Total OPEB <u>Expense</u>
Town OPEB Plan	\$ 1,064,909	\$ 92,583	\$ (972,018)	\$ (60,483)
Proportionate share of NHRS Medical Subsidy Plan	<u>1,332,115</u>	<u>3,641</u>	<u>-</u>	<u>89,124</u>
Total	<u>\$ 2,397,024</u>	<u>\$ 96,224</u>	<u>\$ (972,018)</u>	<u>\$ 28,641</u>

**21. Commitments and Contingencies*****Outstanding Legal Issues***

On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

***Grants***

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

***Abatements***

There are several cases pending before the New Hampshire Board of Tax and Land Appeals in regard to alleged discrepancies in property assessments. According to the Town's counsel, the probable outcome of these cases at the present time is indeterminable, although the Town expects such amounts, if any, to be immaterial.

***Encumbrances***

At year-end, the General Fund had \$549,422 in encumbrances that will be honored in the next year.

## **22. New Pronouncements**

Management is currently evaluating the impact of implementing the following Governmental Accounting Standards Board (GASB) pronouncements:

The GASB has issued Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, and Statement No. 96, *Subscription Based Information Technology Arrangements* effective for the Town beginning with the year ending December 31, 2023. These statements establish new reporting and disclosure requirements, including the recording of various arrangements in the financial statements.

**TOWN OF EXETER, NEW HAMPSHIRE**

Required Supplementary Information

General Fund

Schedule of Revenues, Expenditures, and Other Financing Sources/Uses – Budget and Actual  
For the Year Ended December 31, 2022  
(Unaudited)

	Original <u>Budget</u>	Final <u>Budget</u>	Actual Amounts (Budgetary <u>Basis</u> )	Variance with Final Budget Positive ( <u>Negative</u> )
<b>Revenues</b>				
Property taxes	\$ 13,027,293	\$ 13,619,922	\$ 12,955,706	\$ (664,216)
Motor vehicle registrations	3,106,000	3,080,000	3,201,160	121,160
Interest, penalties, and other taxes	268,040	238,040	202,089	(35,951)
Charges for services	1,123,300	1,068,300	1,019,165	(49,135)
Intergovernmental	1,638,190	1,538,890	1,875,773	336,883
Licenses and permits	559,200	559,200	470,362	(88,838)
Investment income	55,000	10,000	25,087	15,087
Miscellaneous	<u>72,500</u>	<u>60,000</u>	<u>98,256</u>	<u>38,256</u>
Total Revenues	19,849,523	20,174,352	19,847,598	(326,754)
<b>Expenditures</b>				
Current:				
General government	3,661,301	3,963,630	3,891,655	71,975
Public safety	8,064,873	8,176,100	7,970,880	205,220
Public works	3,163,658	3,031,909	3,047,146	(15,237)
Health and human services	150,963	147,963	145,863	2,100
Welfare	180,930	181,657	236,359	(54,702)
Culture and recreation	1,808,665	1,790,309	1,693,082	97,227
Sanitation	1,314,555	1,314,555	1,320,262	(5,707)
Conservation	163,203	163,203	158,406	4,797
Capital outlay	826,069	838,516	820,627	17,889
Debt service:				
Principal	1,020,812	1,020,812	915,812	105,000
Interest	<u>508,348</u>	<u>508,348</u>	<u>446,828</u>	<u>61,520</u>
Total Expenditures	<u>20,863,377</u>	<u>21,137,002</u>	<u>20,646,920</u>	<u>490,082</u>
Excess (deficiency) of revenues over expenditures	(1,013,854)	(962,650)	(799,322)	163,328
<b>Other Financing Sources/(Uses)</b>				
Transfers in	267,479	212,650	603,700	391,050
Transfers out	(253,625)	(250,000)	(668,700)	(418,700)
Use of fund balance:				
For operating budget	<u>1,000,000</u>	<u>1,000,000</u>	<u>1,000,000</u>	<u>-</u>
Total Other Financing Sources/(Uses)	<u>1,013,854</u>	<u>962,650</u>	<u>935,000</u>	<u>(27,650)</u>
Excess (deficiency) of revenues and other sources over (under) expenditures and other uses	\$ <u>-</u>	\$ <u>-</u>	\$ <u>135,678</u>	\$ <u>135,678</u>

See Independent Auditors' Report and Notes to Required Supplementary Information.

**Notes to Required Supplementary Information  
for General Fund Budget**

**Budgetary Basis**

The General Fund final appropriation appearing on the previous page represents the final amended budget after all reserve fund transfers and supplemental appropriations.

**Budget/GAAP Reconciliation**

The budgetary data for the General Fund is based upon accounting principles that differ from GAAP. Therefore, in addition to the GAAP basis financial statements, the results of operations of the General Fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/(Uses)</u>
GAAP Basis	\$ 20,079,112	\$ 21,879,760	\$ 1,372,523
Remove effect of combining capital reserves and general fund	(231,514)	-	(189,742)
To reverse expenditures of prior year carryforwards	-	(534,481)	-
Add end-of-year appropriation carryforwards to expenditures	-	549,422	-
To reclass water debt service payments	-	(1,247,781)	(1,247,781)
To record use of fund balance	-	-	1,000,000
Budgetary Basis	<u>\$ 19,847,598</u>	<u>\$ 20,646,920</u>	<u>\$ 935,000</u>

See Independent Auditors' Report and Notes to Required Supplementary Information.

**TOWN OF EXETER, NEW HAMPSHIRE**

Required Supplementary Information  
Schedule of Proportionate Share of the Net Pension Liability

(Unaudited)

New Hampshire Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Percentage Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
December 31, 2022	June 30, 2022	0.34024693%	\$ 19,517,011	\$9,782,404	199.511%	65.12%
December 31, 2021	June 30, 2021	0.35391593%	\$ 15,685,268	\$9,497,480	165.152%	72.22%
December 31, 2020	June 30, 2020	0.36154527%	\$ 23,124,982	\$9,220,854	250.790%	58.72%
December 31, 2019	June 30, 2019	0.36698977%	\$ 17,658,280	\$8,805,563	200.536%	65.59%
December 31, 2018	June 30, 2018	0.36670289%	\$ 17,657,486	\$8,465,025	208.593%	64.73%
December 31, 2017	June 30, 2017	0.38399360%	\$ 18,884,778	\$8,359,889	225.897%	62.66%
December 31, 2016	June 30, 2016	0.39354241%	\$ 20,926,994	\$8,155,765	256.591%	58.30%
December 31, 2015	June 30, 2015	0.38240135%	\$ 15,148,933	\$7,948,396	190.591%	65.47%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See notes to the financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.



**TOWN OF EXETER, NEW HAMPSHIRE**

Required Supplementary Information  
Schedule of Pension Contributions

(Unaudited)

New Hampshire Retirement System

Fiscal Year	Contributions in Relation to the			Covered Payroll	Contributions as a Percentage of Covered Payroll
	Contractually Required Contribution	Contractually Required Contribution	Contribution Deficiency (Excess)		
December 31, 2022	\$ 1,970,081	\$ 1,970,081	\$ -	\$ 9,827,240	20.05%
December 31, 2021	\$ 1,616,251	\$ 1,616,251	\$ -	\$ 9,541,009	16.94%
December 31, 2020	\$ 1,604,206	\$ 1,604,206	\$ -	\$ 9,263,116	17.32%
December 31, 2019	\$ 1,600,357	\$ 1,600,357	\$ -	\$ 8,961,017	17.86%
December 31, 2018	\$ 1,580,159	\$ 1,580,159	\$ -	\$ 8,681,910	18.20%
December 31, 2017	\$ 1,456,964	\$ 1,456,964	\$ -	\$ 8,359,889	17.43%
December 31, 2016	\$ 1,408,838	\$ 1,408,838	\$ -	\$ 8,155,765	17.27%
December 31, 2015	\$ 1,486,987	\$ 1,486,987	\$ -	\$ 7,948,396	18.71%

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See notes to the financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

**TOWN OF EXETER, NEW HAMPSHIRE**

Required Supplementary Information  
Schedules of Proportionate Share of the Net OPEB Liability and Contributions

(Unaudited)

**Schedule of Proportionate Share**

New Hampshire Retirement System Medical Subsidy						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Net OPEB Liability</u>
December 31, 2022	June 30, 2022	0.35251597%	\$1,332,115	\$ 9,782,404	13.62%	10.64%
December 31, 2021	June 30, 2021	0.34210509%	\$1,369,983	\$ 9,497,480	14.42%	11.06%
December 31, 2020	June 30, 2020	0.35324186%	\$1,546,171	\$ 9,220,854	16.77%	7.74%
December 31, 2019	June 30, 2019	0.38796826%	\$1,700,896	\$ 8,805,563	19.32%	7.75%
December 31, 2018	June 30, 2018	0.39224807%	\$1,795,891	\$ 8,465,025	21.22%	7.53%

**Schedule of Contributions**

New Hampshire Retirement System Medical Subsidy						
<u>Fiscal Year</u>	<u>Contractually Required Contribution</u>	<u>Contributions Relative to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>	
December 31, 2022	\$148,441	\$148,441	\$ -	\$ 9,827,240	1.51%	
December 31, 2021	\$164,191	\$164,191	\$ -	\$ 9,541,009	1.72%	
December 31, 2020	\$162,660	\$162,660	\$ -	\$ 9,263,116	1.76%	
December 31, 2019	\$169,567	\$169,567	\$ -	\$ 8,961,017	1.89%	
December 31, 2018	\$176,720	\$176,720	\$ -	\$ 8,681,910	2.04%	

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See notes to the financial statements for summary of significant actuarial methods and assumptions.

See Independent Auditors' Report.

**TOWN OF EXETER, NEW HAMPSHIRE**

Required Supplementary Information

Schedule of Changes in the Total OPEB Liability

(Unaudited)

**Town of Exeter OPEB Plan\***

For the Years Ended December 31,	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>					
Service cost	\$ 78,305	\$ 75,518	\$ 87,348	\$ 65,154	\$ 97,061
Interest	25,605	25,539	40,577	52,648	80,121
Differences between expected and actual experience	-	(435,884)	-	(655,687)	-
Changes in assumptions	(164,487)	53,587	78,299	(159,048)	(124,580)
Benefit payments, including refunds of member contributions	<u>(77,961)</u>	<u>(65,435)</u>	<u>(98,673)</u>	<u>(83,799)</u>	<u>(121,638)</u>
Net change in total OPEB liability	(138,538)	(346,675)	107,551	(780,732)	(69,036)
Total OPEB liability - beginning	<u>1,203,447</u>	<u>1,550,122</u>	<u>1,442,571</u>	<u>2,223,303</u>	<u>2,292,339</u>
Total OPEB liability - ending	<u>\$ 1,064,909</u>	<u>\$ 1,203,447</u>	<u>\$ 1,550,122</u>	<u>\$ 1,442,571</u>	<u>\$ 2,223,303</u>

\*Does not include New Hampshire Retirement System Medical Subsidy.

*Schedule is intended to show information for 10 years. Additional years will be displayed as they become available.*

See notes to the Town's financial statements for summary significant actuarial methods and assumptions.

See Independent Auditors' Report.