



TOWN OF  
**H A V E R H I L L**  
*New Hampshire*

2975 Dartmouth College Highway North Haverhill, NH 03774

Phone: 603-787-6800 and Fax 603-787-2226

website: [www.haverhill-nh.com](http://www.haverhill-nh.com)

March 7, 2022

Vachon Clukay & Company PC  
608 Chestnut Street  
Manchester, New Hampshire 03104

This representation letter is provided in connection with your audit of the financial statements of the Town of Haverhill, New Hampshire, which comprise the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information as of December 31, 2019, and the respective changes in financial position for the year then ended, and the disclosures (collectively, the “financial statements”), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of March 7, 2022, the following representations made to you during your audit.

**Financial Statements**

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated November 9, 2020, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
2. The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government required by generally accepted accounting principles to be included in the financial reporting entity, except as identified in item #3 below.



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3. We have not completed the process of evaluating the impact that will result from adopting Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* pertaining to the single employer plan, as discussed in Note 2 in the financial statements. The Town is therefore unable to disclose the impact that fully adopting GASB Statement No. 75 will have on its financial position and the results of its operations when the Statement is adopted.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
5. We acknowledge our responsibility for the design, implementation, and maintenance of internal controls to prevent and detect fraud.
6. Significant assumptions we used in making accounting estimates, including those measured at fair value, are reasonable.
7. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
8. Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
9. We are in agreement with the adjusting journal entries you have proposed, and they have been posted to the Town's accounts.
10. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with U.S. GAAP.
11. Guarantees, whether written or oral, under which the Town is contingently liable, if any, have been properly recorded or disclosed.

**Information Provided**

12. We have provided you with:
  - a) Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.



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- b) Additional information that you have requested from us for the purpose of the audit.
  - c) Unrestricted access to persons within the Town from whom you determined it necessary to obtain audit evidence.
  - d) Minutes of the meetings of the Selectboard or summaries of actions of recent meetings for which minutes have not yet been prepared.
13. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
14. We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
15. We have no knowledge of any fraud or suspected fraud that affects the Town and involves:
- a) Management,
  - b) Employees who have significant roles in internal control, or
  - c) Others where the fraud could have a material effect on the financial statements.
16. We have no knowledge of any allegations of fraud or suspected fraud affecting the Town's financial statements communicated by employees, former employees, regulators, or others.
17. We have no knowledge of any instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
18. We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements, and we have not consulted a lawyer concerning litigation, claims, or assessments.
19. We have disclosed to you the names of the Town's related parties and all the related party relationships and transactions, including any side agreements.
20. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.



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21. We have a process to track the status of audit findings and recommendations.
22. We have identified to you any previous audits, attestations engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
23. The Town has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
24. We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts; and legal and contractual provisions for reporting specific activities in separate funds.
25. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of fraud and noncompliance with provisions of laws and regulations that we believe have a material effect on the financial statements or other financial data significant to the audit objectives, and any other instances that warrant the attention of those charged with governance.
26. We have identified and disclosed to you all instances that have occurred or are likely to have occurred, of noncompliance with provisions of contracts and grant agreements that we believe have a material effect on the determination of financial statement amounts or other financial data significant to the audit objectives.
27. There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
28. As part of your audit, you assisted with preparation of the financial statements and disclosures. You also assisted in the preparation of depreciation schedules using estimated useful lives and depreciation methods determined by us, converted our cash basis books to the accrual basis, prepared GASB conversion entries, and assisted in the preparation of the State of New Hampshire Form MS-535. We acknowledge our responsibility as it relates to those non-audit services, including that we assume all management responsibilities; oversee the services by designating an individual, preferably within senior management, who possesses suitable skill, knowledge, or experience; evaluate the adequacy and results of the services performed; and accept responsibility for the results of the services. We have reviewed, approved, and accepted responsibility for those financial statements and disclosures, capital asset records, conversion to the accrual basis, GASB conversion entries, and the preparation of the State of New Hampshire Form MS-535.



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29. The Town has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
30. The Town has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
31. The financial statements include all fiduciary activities required by GASB Statement No. 84.
32. The financial statements properly classify all funds and activities in accordance with GASB Statement No. 34, as amended, and GASB Statement No. 84.
33. All funds that meet the quantitative criteria in GASB Statement Nos. 34 and 37 for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
34. Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (non-spendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
35. Investments, derivative instruments, and land and other real estate held by endowments are properly valued.
36. Provisions for uncollectible receivables have been properly identified and recorded.
37. Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
38. Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
39. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
40. Deposits and investment securities and derivative instruments are properly classified as to risk and are properly disclosed.



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41. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated, or amortized.
42. We have appropriately disclosed the Town's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
43. We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
44. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
45. Participation in a public entity risk pool has been properly reported and disclosed in the financial statements.
46. We believe that the actuarial assumptions and methods used to measure pension and OPEB liabilities and costs for financial accounting purposes are appropriate in the circumstances.
47. With respect to the combining nonmajor governmental fund financial statements on which an in-relation-to opinion is issued:
  - a. We acknowledge our responsibility for presenting the combining nonmajor governmental fund financial statements in accordance with accounting principles generally accepted in the United States of America, and we believe the combining nonmajor governmental fund financial statements, including its form and content, are fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the combining nonmajor governmental fund financial statements have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b. If the combining nonmajor governmental fund financial statements are not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.




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Sincerely,

  
Town Manager

March 7, 2022

Date

  
Finance Administrator

March 7, 2022

Date

**TOWN OF HAVERHILL, NEW HAMPSHIRE**

**Financial Statements**

**December 31, 2019**

**and**

**Independent Auditor's Report**



**TOWN OF HAVERHILL, NEW HAMPSHIRE  
FINANCIAL STATEMENTS  
December 31, 2019**

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**TOWN OF HAVERHILL, NEW HAMPSHIRE  
FINANCIAL STATEMENTS  
December 31, 2019**

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## INDEPENDENT AUDITOR'S REPORT

To the Selectboard and Town Manager  
Town of Haverhill, New Hampshire

### **Report on the Financial Statements**

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

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

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

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

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

#### ***Basis for Adverse Opinion on Governmental Activities***

As discussed in Note 2 to the financial statements, management has not recorded a liability, deferred outflows of resources, or deferred inflows of resources for the Town's single employer other postemployment benefits plan in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be

accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, deferred outflows of resources and deferred inflows of resources, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, deferred outflows of resources and deferred inflows of resources, net position, and expenses of the governmental activities is not reasonably determinable.

### ***Adverse Opinion***

In our opinion, because of the significance of the matter described in the “Basis for Adverse Opinion on Governmental Activities” paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town of Haverhill, New Hampshire, as of December 31, 2019, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Unmodified Opinions***

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

### ***Other Matters***

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

Accounting principles generally accepted in the United States of America require that the budgetary comparison information, schedule of changes in the Town’s proportionate share of the net OPEB liability, schedule of Town OPEB contributions, schedule of changes in the Town’s proportionate share of the net pension liability, and schedule of Town pension contributions on pages 34-40 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management’s responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the management’s discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinions on the basic financial statements are not affected by this missing information.

*Supplementary Information*

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

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

*Vachon Clukay & Company PC*

Manchester, New Hampshire  
March 7, 2022

EXHIBIT A  
**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**Statement of Net Position**  
December 31, 2019

	Governmental <u>Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 111,895
Investments	877,066
Taxes receivable, net	1,031,528
Accounts receivable	11,777
Due from other governments	9,022
Prepaid items	<u>21,610</u>
Total Current Assets	<u>2,062,898</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	219,698
Depreciable capital assets, net	<u>5,105,187</u>
Total Noncurrent Assets	<u>5,324,885</u>
Total Assets	<u>7,387,783</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to OPEB liability	8,862
Deferred outflows related to net pension liability	<u>244,132</u>
Total Deferred Outflows of Resources	<u>252,994</u>
LIABILITIES	
Current Liabilities:	
Accrued liabilities	132,868
Due to other governments	3,708
Deposits	17,621
Current portion of bonds payable	45,470
Current portion of capital leases payable	<u>17,329</u>
Total Current Liabilities	<u>216,996</u>
Noncurrent Liabilities:	
Compensated absences payable	83,824
OPEB liability	177,657
Net pension liability	<u>1,834,830</u>
Total Noncurrent Liabilities	<u>2,096,311</u>
Total Liabilities	<u>2,313,307</u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes collected in advance	44,493
Deferred inflows related to OPEB liability	509
Deferred inflows related to net pension liability	<u>237,358</u>
Total Deferred Inflows of Resources	<u>282,360</u>
NET POSITION	
Net investment in capital assets	5,262,086
Restricted	320,279
Unrestricted (deficit)	<u>(537,255)</u>
Total Net Position	<u>\$ 5,045,110</u>

*See accompanying notes to the basic financial statements*

EXHIBIT B  
**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**Statement of Activities**  
For the Year Ended December 31, 2019

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
General government	1,242,632	\$ 19,313		\$ (1,223,319)
Public safety	1,431,738	20,124	\$ 1,000	(1,410,614)
Airport/Aviation	44,533	37,396	8,252	1,115
Highways and streets	974,349	2,300	181,110	(790,939)
Sanitation	1,086		3,750	2,664
Health and welfare	130,517	70		(130,447)
Culture and recreation	218,197	62,232		(155,965)
Conservation	200			(200)
Interest and fiscal charges	5,684		745	(4,939)
Total governmental activities	<u>\$ 4,048,936</u>	<u>\$ 141,435</u>	<u>\$ 194,857</u>	<u>(3,712,644)</u>
General revenues:				
Property and other taxes				2,433,761
Licenses and permits				993,751
Grants and contributions:				
Municipal aid				90,927
Rooms and meals tax distribution				239,012
State & federal forest land reimbursement				657
Interest and investment earnings				47,421
Miscellaneous				155,473
Contributions to permanent fund principal				2,400
Net gain on disposal of capital assets				<u>17,536</u>
Total general revenues, contributions to permanent fund principal, and net gain on disposal of capital assets				<u>3,980,938</u>
Change in net position				268,294
Net Position - beginning of year, as restated				<u>4,776,816</u>
Net Position - end of year				<u>\$ 5,045,110</u>

See accompanying notes to the basic financial statements

EXHIBIT C  
**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**Balance Sheet**  
**Governmental Funds**  
December 31, 2019

	General <u>Fund</u>	Permanent <u>Funds</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 49,309		\$ 62,586	\$ 111,895
Investments	582,890	\$ 294,176		877,066
Taxes receivable, net	1,031,528			1,031,528
Accounts receivable	9,892		1,885	11,777
Due from other funds	13,088		4,367	17,455
Prepaid items	21,610			21,610
Total Assets	<u>1,708,317</u>	<u>294,176</u>	<u>68,838</u>	<u>2,071,331</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Total Deferred Outflows of Resources	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 1,708,317</u>	<u>\$ 294,176</u>	<u>\$ 68,838</u>	<u>\$ 2,071,331</u>
<b>LIABILITIES</b>				
Accrued liabilities	\$ 130,679			\$ 130,679
Due to other governments	3,708			3,708
Deposits	17,621			17,621
Due to other funds	4,367		\$ 13,088	17,455
Total Liabilities	<u>156,375</u>	<u>\$ -</u>	<u>13,088</u>	<u>169,463</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Property taxes collected in advance	44,493			44,493
Uncollected property taxes	371,987			371,987
Total Deferred Inflows of Resources	<u>416,480</u>	<u>-</u>	<u>-</u>	<u>416,480</u>
<b>FUND BALANCES</b>				
Nonspendable	21,610	287,144		308,754
Restricted		7,032	26,103	33,135
Committed	647,085		10,246	657,331
Assigned			29,827	29,827
Unassigned (deficit)	466,767		(10,426)	456,341
Total Fund Balances	<u>1,135,462</u>	<u>294,176</u>	<u>55,750</u>	<u>1,485,388</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,708,317</u>	<u>\$ 294,176</u>	<u>\$ 68,838</u>	<u>\$ 2,071,331</u>

*See accompanying notes to the basic financial statements*



EXHIBIT C-1  
**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**Reconciliation of the Balance Sheet of Governmental Funds**  
**to the Statement of Net Position**  
December 31, 2019

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 1,485,388
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	5,324,885
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis.	371,987
Long-term state aid grant receivable is recognized on an accrual basis in the statement of net position, not the modified accrual basis.	9,022
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds.	
Deferred outflows of resources related to OPEB liability	8,862
Deferred outflows of resources related to net pension liability	244,132
Deferred inflows of resources related to OPEB liability	(509)
Deferred inflows of resources related to net pension liability	(237,358)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
Bonds payable	(45,470)
Capital leases payable	(17,329)
Accrued interest on long-term obligations	(2,189)
Compensated absences payable	(83,824)
OPEB liability	(177,657)
Net pension liability	<u>(1,834,830)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 5,045,110</u>

*See accompanying notes to the basic financial statements*

EXHIBIT D  
**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
For the Year Ended December 31, 2019

	General Fund	Permanent Funds	Nonmajor Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 2,535,043			\$ 2,535,043
Licenses and permits	993,751			993,751
Intergovernmental	525,858		\$ 8,252	534,110
Charges for services	135,018		6,417	141,435
Interest and investment income	15,015	\$ 32,370	36	47,421
Miscellaneous	<u>123,614</u>	<u>2,400</u>	<u>31,859</u>	<u>157,873</u>
Total Revenues	<u>4,328,299</u>	<u>34,770</u>	<u>46,564</u>	<u>4,409,633</u>
Expenditures:				
Current operations:				
General government	1,145,983	2,405	26,251	1,174,639
Public safety	1,388,497		8,809	1,397,306
Airport/Aviation center	36,332			36,332
Highways and streets	1,005,029			1,005,029
Sanitation	1,086			1,086
Health and welfare	132,144			132,144
Culture and recreation	212,826			212,826
Conservation	200			200
Capital outlay	140,646		2,920	143,566
Debt service:				
Principal retirement	43,631			43,631
Interest and fiscal charges	<u>4,119</u>			<u>4,119</u>
Total Expenditures	<u>4,110,493</u>	<u>2,405</u>	<u>37,980</u>	<u>4,150,878</u>
Excess revenues over (under) expenditures	<u>217,806</u>	<u>32,365</u>	<u>8,584</u>	<u>258,755</u>
Other financing sources (uses):				
Transfers in	6,000		350	6,350
Transfers out	<u>(350)</u>		<u>(6,000)</u>	<u>(6,350)</u>
Total Other financing sources (uses)	<u>5,650</u>	<u>-</u>	<u>(5,650)</u>	<u>-</u>
Net change in fund balances	223,456	32,365	2,934	258,755
Fund Balances - beginning of year, as restated	<u>912,006</u>	<u>261,811</u>	<u>52,816</u>	<u>1,226,633</u>
Fund Balances - end of year	<u>\$ 1,135,462</u>	<u>\$ 294,176</u>	<u>\$ 55,750</u>	<u>\$ 1,485,388</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1  
**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
For the Year Ended December 31, 2019

Net Change in Fund Balances--Total Governmental Funds	\$ 258,755
Amounts reported for governmental activities in the statement of activities are different because:	
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 as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period.	38,726
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the gain of disposed capital assets reduced by the actual proceeds received from the disposal.	17,536
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(101,282)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	43,631
Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	81,748
Revenues in the governmental fund financial statements that reduce long-term assets recorded on the statement of net position are not reported as revenues in the statement of activities.	(8,657)
In the statement of activities, interest is accrued on outstanding bonds and capital leases, whereas in governmental funds, an interest expenditure is reported when due.	2,678
Governmental funds report OPEB and pension contributions as expenditures. However, in the statement of activities, OPEB and pension expense reflects the changes in the OPEB liability and net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which OPEB and pension expense differed from OPEB and pension contributions in the current period.	
Net changes in OPEB	(12,557)
Net changes in pension	(37,223)
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	<u>(15,061)</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 268,294</u>

*See accompanying notes to the basic financial statements*

EXHIBIT E  
**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**Statement of Fiduciary Net Position**  
**Fiduciary Funds**  
December 31, 2019

	Private- Purpose <u>Trust Funds</u>	Custodial <u>Funds</u>
ASSETS		
Cash and cash equivalents		\$ 1,359,332
Investments	\$ 172,809	3,666,595
Taxes receivable		<u>1,742,026</u>
Total Assets	<u>172,809</u>	<u>6,767,953</u>
LIABILITIES		
Due to other governments		<u>3,101,358</u>
Total Liabilities	<u>-</u>	<u>3,101,358</u>
NET POSITION		
Restricted for:		
Individuals and other governments	<u>172,809</u>	<u>3,666,595</u>
Total Net Position	<u>\$ 172,809</u>	<u>\$ 3,666,595</u>

*See accompanying notes to the basic financial statements*

EXHIBIT F  
**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**Statement of Changes in Fiduciary Net Position**  
**Fiduciary Funds**  
For the Year Ended December 31, 2019

	Private- Purpose <u>Trust Funds</u>	Custodial <u>Funds</u>
ADDITIONS:		
Contributions:		
Miscellaneous		\$ 2,924
Total Contributions	<u>\$ -</u>	<u>2,924</u>
Investment Earnings:		
Interest	4,371	73,162
Realized gain on investments	6,892	46,642
Net increase in the fair value of investments	<u>7,820</u>	<u>59,490</u>
Total Investment Earnings	<u>19,083</u>	<u>179,294</u>
Property taxes collected for other governments		8,304,163
Motor vehicle fees collected for other governments		308,848
Expendable trust collections from other governments		<u>1,993,739</u>
Total Additions	<u>19,083</u>	<u>10,788,968</u>
DEDUCTIONS:		
Benefits paid	772	
Payments of property taxes to other governments		8,304,163
Payments of motor vehicle fees to other governments		308,848
Payments from expendable trusts to other governments		213,787
Administrative expenses	<u>1,428</u>	<u>19,851</u>
Total Deductions	<u>2,200</u>	<u>8,846,649</u>
Change in net position	16,883	1,942,319
Net Position - beginning of year, as restated	<u>155,926</u>	<u>1,724,276</u>
Net Position - end of year	<u>\$ 172,809</u>	<u>\$ 3,666,595</u>

*See accompanying notes to the basic financial statements*

**TOWN OF HAVERHILL, NEW HAMPSHIRE  
NOTES TO BASIC FINANCIAL STATEMENTS  
For the Year Ended December 31, 2019**

**NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the Town of Haverhill, New Hampshire conform to accounting policies generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

***Financial Reporting Entity***

The Town of Haverhill, New Hampshire (the Town) was incorporated in 1763. The Town operates under the Town Meeting/Town Manager form of government and performs local governmental functions authorized by State law.

The financial statements include those of the various departments governed by the Selectboard and other officials with financial responsibility. The Town has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

***Basis of Presentation***

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

**1. Government-Wide Financial Statements:**

The statement of net position and the statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the Town at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

**2. Fund Financial Statements:**

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate

**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

***Fund Accounting***

The Town uses funds to maintain its financial records during the year. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. The Town employs the use of two categories of funds: governmental and fiduciary.

**1. Governmental Funds:**

Governmental funds are those through which most governmental functions typically are financed. Governmental fund reporting focuses on the sources, uses and balances of current financial resources. Expendable assets are assigned to the various governmental funds according to the purposes for which they may or must be used. Current liabilities are assigned to the fund from which they will be paid. The difference between governmental fund assets and deferred outflows of resources, and liabilities and deferred inflows of resources, is reported as fund balance. The following are the Town's major governmental funds:

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

The *Permanent Funds* account for the financial transactions related to resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the Town's programs.

**2. Fiduciary Funds:**

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town maintains numerous private-purpose trust funds which account for monies designated to benefit individuals within the Town. Custodial funds are used to account for amounts collected by the Town and remitted to other individuals or governments. These assets are therefore not available to support the Town's own programs. The Town's custodial funds consist of property taxes collected on behalf of the Haverhill Cooperative School District, Grafton County, Mountain Lakes District, North Haverhill Water and Light Precinct, Haverhill Corner Precinct, and the Woodsville Precinct, motor vehicle fees collected on behalf of the State of New Hampshire, scholarship funds held on behalf of the Haverhill Cooperative School District, and capital reserve funds of the Haverhill Cooperative School District, Mountain Lakes District, North Haverhill Water and Light Precinct, Haverhill Corner Precinct, and the Woodsville Precinct, which are held by the Town as required by State Law.

**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

***Measurement Focus***

**1. Government-Wide Financial Statements:**

The government-wide financial statements are prepared using the economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of the Town are included on the Statement of Net Position.

**2. Fund Financial Statements:**

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

The fiduciary funds are reported using the economic resources measurement focus.

***Basis of Accounting***

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

**1. Revenues – Exchange and Non-exchange Transactions:**

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Town, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 12). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.



**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes, charges for services, and interest on investments.

Licenses and permits and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

Grants and entitlements received before the eligibility requirements are met are recorded as advances from grantors. On governmental fund financial statements, taxes receivable that will not be collected within the available period are reported as deferred inflows of resources.

**2. Expenses/Expenditures:**

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

***Budgetary Data***

The Town's budget represents functional appropriations as authorized by annual or special Town meetings. The Selectboard may transfer funds between operating categories as they deem necessary. The Town adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2019, the Town applied \$190,000 of its unappropriated fund balance to reduce taxes and \$30,000 was appropriated from surplus.

***Investments***

Investments are stated at their fair value in all funds. Certificates of deposit and repurchase agreements with a maturity of greater than ninety days from the date of issuance are included in investments.

***Taxes Receivable***

Taxes levied during the current year and prior and uncollected at December 31, 2019 are recorded as receivables net of reserves for estimated uncollectible of \$215,000.

***Capital Assets***

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets including infrastructure and intangible assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The Town maintains a capitalization threshold of \$10,000. The

**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

Town’s infrastructure consists of roads, bridges, and similar items. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset’s life are not.

The Town is not required to retroactively report its general infrastructure (e.g. roads and bridges). The Town opted to retroactively include its general infrastructure in bridges for the renovations to the Haverhill/Bath covered bridge which started prior to 2004. Infrastructure records for other additions have been maintained effective January 1, 2004 and are included in these financial statements.

All reported capital assets except for land and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for infrastructure were estimated based on the Town’s historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

	<u>Description</u>	<u>Years</u>
	Infrastructure	20 - 25
	Buildings and improvements	25 - 50
	Vehicles and equipment	3 - 15

***Compensated Absences***

Employees earn vacation and sick leave as they provide services. Provision is made in the annual budget for vacation and sick leave. Pursuant to Town personnel policy, employees may accumulate (subject to certain limitations) unused vacation days to a maximum of 25 days and unused sick days to a maximum of 60 days. Upon retirement or death, an employee will be compensated for unused vacation days and 25% of the unused sick days at current rates of pay.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement. The entire compensated absence liability is reported on the government-wide financial statements.

***Accrued Liabilities and Long-Term Obligations***

Except for the obligation for certain other postemployment benefits (see Note 2), all payables, accrued liabilities, and long-term obligations are reported in the government-wide financial statements. In general, governmental fund payables and accrued liabilities that, once incurred, are paid in a timely manner and in full from current resources, are reported as obligations of the funds. However, compensated absences that will be paid from governmental funds are reported as liabilities in the fund financial statements only to the extent that they are due for payment during the current year. General obligation bonds and other long-term obligations that will be paid from governmental funds are recognized as a liability in the fund financial statements when due.

***Postemployment Benefits Other Than Pensions (OPEB)***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) OPEB Plan and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, NHRS

**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for non-registered commingled funds valued at net asset value (NAV) as a practical expedient to estimate fair value.

***Pensions***

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 New Hampshire Retirement System (NHRS) and additions to/deductions from NHRS's 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 the benefit terms.

***Net Position***

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

***Fund Balance Policy***

The Town has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. The components of fund balance are defined as follows:

- **Nonspendable Fund Balance**: Amounts that are not in a spendable form or are required to be maintained intact.
- **Restricted Fund Balance**: Amounts constrained to specific purposes stipulated by external resource providers or through enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or by the enabling legislation.
- **Committed Fund Balance**: Amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision making authority (annual Town meeting). Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. The governing body's actions must either be approved or rescinded as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

- Assigned Fund Balance: Amounts the Town intends to use for specific purposes. For all governmental funds other than the General Fund, any remaining positive amounts are to be classified as “assigned”. The Selectboard expressly delegates this authority to the Town Manager.
- Unassigned Fund Balance: Amounts that are the residual classification of any General Fund balance. Any deficit fund balance of another governmental fund is also classified as “unassigned”.

*Spending Prioritizations*

In circumstances where expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts and then unassigned amounts.

*Minimum Fund Balance*

The Selectboard will strive to maintain an unassigned fund balance in its General Fund equal to 5% of the total annual appropriations of the community (which includes the Town, County, School District, and Precincts).

***Interfund Activity***

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

***Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America require management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results may differ from those estimates.

**NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*Generally Accepted Accounting Principles*

The Town did not implement the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as it pertains to its single employer OPEB plan. Statement No. 75 requires governments to account for certain other postemployment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The provisions of GASB Statement No. 75 were required to be implemented by the Town during the year ended December 31, 2018. The Town has implemented the provisions of GASB Statement No. 75 as it pertains to its cost-sharing multiple-employer defined benefit OPEB plan (see Note 8).

**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

Deficit Fund Balance

At December 31, 2019, the Airport Fund, a Nonmajor Governmental Fund, had a deficit fund balance of (\$10,426).

**NOTE 3—DEPOSITS AND INVESTMENTS**

Deposits and investments as of December 31, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 111,895
Investments	877,066
Statement of Fiduciary Net Position:	
Cash and cash equivalents	1,359,332
Investments	3,839,404
	<u>\$ 6,187,697</u>

Deposits and investments at December 31, 2019 consist of the following:

Cash on hand	\$ 195
Deposits with financial institutions	71,471
Investments	6,116,031
	<u>\$ 6,187,697</u>

***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's investment policy for governmental funds indicates that investments shall be limited to the New Hampshire Deposit Investment Pool, certificates of deposit, and any other investment in accordance with RSA 41:29. The investment policy of the Trustees of Trust Funds states that the assets are to be invested in accordance with the Prudent Investor Rule. The objective is for the safety and preservation of principal, liquidity, and maximizing the return for each fund and account. The maximum maturity of bonds held for the Capital Reserve Funds shall be five years. However, there is no set policy for the holding period for other types of investments held.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of investments by maturity:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Remaining Maturity (in Years)</u>		
		<u>0-1 Years</u>	<u>1-5 Years</u>	<u>&gt; 5 Years</u>
U.S. Treasury notes	\$ 702,720	\$ 100,242	\$ 499,611	\$ 102,867
U.S. Government agencies	14,696	143	2,003	12,550
Corporate bonds	426,832		142,237	284,595
Foreign bonds	41,022		41,022	
Municipal bonds	255,021	40,231	71,120	143,670
	<u>\$ 1,440,291</u>	<u>\$ 140,616</u>	<u>\$ 755,993</u>	<u>\$ 543,682</u>

**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

***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. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The Town’s policy regarding credit risk is to limit the Treasurer’s ability to invest in only instruments specifically authorized by the Revised Statutes Annotated of the State of New Hampshire. The investment policy of the Trustees of Trust Funds addresses credit risk by diversifying the investment portfolio. Investments of the Common Trust Funds are to be diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity, industry, or specific issuer. Corporate bonds at the time of purchase shall be restricted to “investment grade” quality of BBB or better by a nationally recognized rating agency.

The following is the actual rating as of year end for each investment type:

	<u>Fair Value</u>	<u>Investment Rating as of Year End</u>				
		<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>	<u>Not rated</u>
U.S. Government agencies	\$ 14,696					\$ 14,696
Corporate bonds	426,832	\$ 52,458	\$ 123,717	\$ 93,689	\$ 156,968	
Foreign bonds	41,022		41,022			
Municipal bonds	255,021		174,669			80,352
Bond mutual funds	73,041					73,041
Equity mutual funds	43,451					43,451
Money market mutual funds	2,680,597					2,680,597
	<u>\$ 3,534,660</u>	<u>\$ 52,458</u>	<u>\$ 339,408</u>	<u>\$ 93,689</u>	<u>\$ 156,968</u>	<u>\$ 2,892,137</u>

***Custodial Credit Risk***

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party.

The Town addresses custodial credit risk for its governmental funds by requiring any institution holding deposits of Town assets to collateralize the total of these deposits with pledged securities that shall be equal to or in excess of the amount of public funds deposited, less any portion thereof covered by federal deposit insurance. The investment policy of the Trustees of Trust Funds specifies a targeted asset allocation for Common Trust Funds as follows: cash and cash equivalents (approximately 0-10%), fixed income (approximately 60-80%), and equities (approximately 20-40%). The entire balance of the capital reserve funds and any other trusts established or accepted by the Town and placed in the custody of the Trustees is to be invested in cash and cash equivalents (i.e. money market mutual funds) for a minimum of 30% and a maximum of 70% in fixed income funds.

As of December 31, 2019, Town investments in the following investment types were held by the same counterparty that was used to buy the securities:

**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Treasury notes	\$ 702,720
U.S. Government agencies	14,696
Corporate bonds	426,832
Foreign bonds	41,022
Municipal bonds	255,021
Bond mutual funds	73,041
Equity mutual funds	43,451
Equity securities	479,090
Money market mutual funds	2,680,597
Overnight repurchase agreement (Commercial Sweep)	1,399,561
	<u>\$ 6,116,031</u>

***Fair Value Measurement of Investments***

The Town categorizes the fair value measurements of its investments within the fair value hierarchy established by accounting principles generally accepted in the United States. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows (in order of priority):

- Level 1 Inputs - Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date.
- Level 2 Inputs - Inputs other than quoted prices that are observable for assets or liabilities either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs - Significant unobservable inputs.

As of December 31, 2019, the Town's investments measured at fair value, by type, were as follows:

<u>Description</u>	<u>Totals</u>	<u>Fair Value Measurements Using:</u>		
		<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
U.S Treasury notes	\$ 702,720		\$ 702,720	
U.S. Government agencies	14,696		14,696	
Corporate bonds	426,832		426,832	
Foreign bonds	41,022		41,022	
Municipal bonds	255,021		255,021	
Bond mutual funds	73,041	\$ 73,041		
Equity mutual funds	43,451	43,451		
Equity securities	479,090	479,090		
	<u>\$ 2,035,873</u>	<u>\$ 595,582</u>	<u>\$ 1,440,291</u>	<u>\$ -</u>

Bond mutual funds, equity mutual funds and equity securities classified as Level 1 are valued using unadjusted quoted prices in active markets for those securities. U.S. Treasury notes, U.S. Government agencies, corporate bonds, foreign bonds, and municipal bond obligations classified as Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to bench-mark quoted prices.

**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

**NOTE 4—CAPITAL ASSETS**

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

	<u>Balance</u> <u>01/01/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/19</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 116,373			\$ 116,373
Construction in progress	357,999	\$ 121,675	\$ (376,349)	103,325
Total capital assets not being depreciated	<u>474,372</u>	<u>121,675</u>	<u>(376,349)</u>	<u>219,698</u>
Other capital assets:				
Infrastructure	4,192,429	376,349		4,568,778
Buildings and improvements	1,581,464			1,581,464
Land improvements		24,841		24,841
Vehicles and equipment	1,177,007	150,000	(138,820)	1,188,187
Total other capital assets at historical cost	<u>6,950,900</u>	<u>551,190</u>	<u>(138,820)</u>	<u>7,363,270</u>
Less accumulated depreciation for:				
Infrastructure	(904,433)	(125,130)		(1,029,563)
Buildings and improvements	(634,954)	(33,429)		(668,383)
Vehicles and equipment	(617,262)	(79,131)	136,256	(560,137)
Total accumulated depreciation	<u>(2,156,649)</u>	<u>(237,690)</u>	<u>136,256</u>	<u>(2,258,083)</u>
Total other capital assets, net	4,794,251	313,500	(2,564)	5,105,187
Total capital assets, net	<u>\$ 5,268,623</u>	<u>\$ 435,175</u>	<u>\$ (378,913)</u>	<u>\$ 5,324,885</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 43,291
Public safety	29,098
Airport/Aviation center	8,201
Highways and streets	154,684
Culture and recreation	<u>2,416</u>
Total governmental activities depreciation expense	<u>\$ 237,690</u>

The balance of assets acquired through capital lease issuances as of December 31, 2019 is as follows:

Vehicles and equipment	\$ 51,510
Less: Accumulated depreciation	<u>(10,302)</u>
	<u>\$ 41,208</u>

**NOTE 5—INTERFUND BALANCES AND TRANSFERS**

The Town maintains self-balancing funds; however, most cash transactions flow through the General Fund. In order to obtain accountability for each fund, the Town utilizes interfund receivable and payable accounts. Interfund balances at December 31, 2019 are as follows:



**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

Due to	General Fund	Due from Nonmajor Governmental Funds	Totals
General Fund		\$ 13,088	\$ 13,088
Nonmajor Governmental Funds	\$ 4,367		4,367
	<u>\$ 4,367</u>	<u>\$ 13,088</u>	<u>\$ 17,455</u>

During the year, several interfund transactions occurred between funds. The various transfers between the General Fund and Nonmajor Governmental Funds were made in accordance with budgetary authorizations. During the year ended December 31, 2019, the Cemetery Association Fund, a Nonmajor Governmental Fund, transferred \$6,000 to the General Fund. Additionally, the General Fund transferred the excess of airport revenues over the airport expenditures in the amount of \$350 to the Airport Fund, a Nonmajor Governmental Fund. Transfers during the year ended December 31, 2019 are as follows:

Transfer to	General Fund	Transfer from Nonmajor Governmental Funds	Totals
General Fund		\$ 6,000	\$ 6,000
Nonmajor Governmental Funds	\$ 350		350
	<u>\$ 350</u>	<u>\$ 6,000</u>	<u>\$ 6,350</u>

**NOTE 6—SHORT-TERM OBLIGATIONS**

The Town issues tax anticipation notes during the year. These borrowings are to assist in the payment of operating expenditures during the year and are guaranteed to be repaid from the property tax revenue received in July and December from the taxpayers within the Town.

The changes in short-term debt obligations for the year ended December 31, 2019 are as follows:

Balance - January 1, 2019	\$ -
Additions	300,000
Reductions	(300,000)
Balance - December 31, 2019	<u>\$ -</u>

**NOTE 7—LONG-TERM OBLIGATIONS**

***Changes in Long-Term Obligations***

The changes in the Town's long-term obligations for the year ended December 31, 2019 are as follows:

**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

	(as restated)				
	Balance			Balance	Due Within
	<u>01/01/19</u>	<u>Additions</u>	<u>Reductions</u>	<u>12/31/19</u>	<u>One Year</u>
Governmental activities:					
Bonds payable	\$ 89,101		\$ (43,631)	\$ 45,470	\$ 45,470
Capital leases payable	99,077		(81,748)	17,329	17,329
Compensated absences	68,763	\$ 29,471	(14,410)	83,824	-
Total governmental activities	<u>\$ 256,941</u>	<u>\$ 29,471</u>	<u>\$ (139,789)</u>	<u>\$ 146,623</u>	<u>\$ 62,799</u>

Payments on the general obligation bonds and capital leases are paid out of the General Fund. Compensated absences will be paid from the fund where the employee's salary is paid.

***General Obligation Bonds***

Bonds payable at December 31, 2019 is comprised of the following individual issue:

\$631,860 State Revolving Loan payable in annual installments of \$47,387 through February 2020; including interest at 4.216%	<u>\$ 45,470</u>
---	------------------

Debt service requirements to retire general obligation bonds outstanding at December 31, 2019 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	<u>\$ 45,470</u>	<u>\$ 1,917</u>	<u>\$ 47,387</u>

The State of New Hampshire annually reimburses the Town for its share of sewer related debt service payments. For the year ended December 31, 2019, the sewer reimbursement was \$9,402.

***Capital Lease Obligations***

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable functions.

The following is the individual capital lease obligation outstanding at December 31, 2019:

Police cruiser lease payable in annual installments of \$18,455 through August 2020; interest at 6.50%	<u>\$ 17,329</u>
--	------------------

Debt service requirements to retire capital lease obligations outstanding at December 31, 2019 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2020	<u>\$ 17,329</u>	<u>\$ 1,126</u>	<u>\$ 18,455</u>

**TOWN OF HAVERHILL, NEW HAMPSHIRE  
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)  
For the Year Ended December 31, 2019**

**NOTE 8—OTHER POSTEMPLOYMENT BENEFITS**

**COST-SHARING MULTIPLE EMPLOYER PLAN**

***Plan Description***

The New Hampshire Retirement System (NHRS) administers a cost-sharing multiple-employer other postemployment benefit plan (OPEB Plan). The OPEB Plan provides a medical insurance subsidy to qualified retired members.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System at 54 Regional Drive, Concord, New Hampshire 03301 or from their website at [www.nhrs.org](http://www.nhrs.org).

The OPEB Plan is divided into four membership types. The four membership types are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees, and Group I State Employees. The OPEB plan is closed to new entrants.

***Benefits Provided***

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

Group I benefits are based on creditable service, age and retirement date. Group II benefits are based on hire date, age and creditable service. Medical subsidy rates established by RSA 100-A:52 II are dependent upon whether retirees are eligible for Medicare. Retirees not eligible for Medicare may receive a maximum medical subsidy of \$375.56 for a single person plan and \$751.12 for a two person plan. Retirees eligible for Medicare may receive a maximum medical subsidy of \$236.84 for a single person plan and \$473.68 for a two person plan.

***Funding Policy***

Per RSA-100:16, contribution rates are established and may be amended by the New Hampshire State legislature and are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's contribution rates for the covered payroll of general employees and police officers were 0.30% and 4.10%, respectively, through June 30, 2019, and 0.29% and 3.66%, respectively, thereafter. Contributions to the OPEB plan for the Town were \$16,606 for the year ended December 31, 2019. Employees are not required to contribute to the OPEB plan.

**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At December 31, 2019, the Town reported a liability of \$177,657 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by a roll forward of the actuarial valuation from June 30, 2018. The Town's proportion of the net OPEB liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2019, the Town's proportion was approximately 0.0405 percent, which was an increase of 0.0028 percentage points from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Town recognized OPEB expense of \$29,164. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Difference between expected and actual experience		\$ 309
Net difference between projected and actual earnings on OPEB plan investments		200
Changes in proportion and differences between Town contributions and proportionate share of contributions	\$ 1,370	
Town contributions subsequent to the measurement date	<u>7,492</u>	
Totals	<u>\$ 8,862</u>	<u>\$ 509</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as an increase to unrestricted net position in the amount of \$8,353. The Town reported \$7,492 as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net OPEB liability in the measurement period ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the measurement periods as follows:

<u>June 30,</u>	
2020	\$ 928
2021	(132)
2022	14
2023	<u>51</u>
	<u>\$ 861</u>

**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

*Actuarial Assumptions*

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Wage inflation	3.25% (3.00% for Teachers)
Salary increases	5.60%, average, including inflation
Investment rate of return	7.25%, net of OPEB plan investment expense, including inflation for determining solvency contributions

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	4.25-4.50%
International equity	20%	4.50-6.00%
Fixed income	25%	1.12-2.46%
Alternative investments	15%	4.86-7.90%
Real estate	<u>10%</u>	3.00%
Total	<u>100%</u>	

The discount rate used to measure the collective total OPEB liability as of June 30, 2019 was 7.25%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and RSA 100-A:53. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

***Sensitivity of the Town’s Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate***

The following presents the Town’s proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the Town’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Net OPEB liability	\$ 192,696	\$ 177,657	\$ 164,589

**NOTE 9—DEFINED BENEFIT PENSION PLAN**

***Plan Description***

The Town contributes to the New Hampshire Retirement System (NHRS), a public employee retirement system that administers a single cost-sharing multiple-employer defined benefit pension plan. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System at 54 Regional Drive, Concord, New Hampshire 03301 or from their website at [www.nhrs.org](http://www.nhrs.org).

Substantially all full-time state and local employees, public school teachers, permanent firefighters and permanent police officers within the State are eligible and required to participate in the Pension Plan.

The Pension Plan is divided into two membership groups. State and local employees and teachers belong to Group I. Police and firefighters belong to Group II.

***Benefits Provided***

Benefit formulas and eligibility requirements for the pension plan are set by State law (RSA 100-A).

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 serviced 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 compensated 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:

**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

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

***Funding Policy***

Covered police officers are required to contribute 11.55% of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers and general employees were 25.33% and 11.08%, respectively, through June 30, 2019, and 24.77% and 10.88%, respectively, thereafter. The Town contributed 100% of the employer cost for police officers and general employees of the Town.

Per RSA-100:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's pension contributions to the NHRS for the year ending December 31, 2019 were \$159,011.

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

At December 31, 2019, the Town reported a liability of \$1,834,830 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2018. The Town's proportion of the net pension liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2019, the Town's proportion was approximately 0.0381 percent, which was an increase of 0.0021 percentage points from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Town recognized pension expense of \$196,235. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 10,145	\$ 39,454
Changes of assumptions	65,833	
Net difference between projected and actual earnings on pension plan investments		14,988
Changes in proportion and differences between Town contributions and share of contributions	91,398	182,916
Town contributions subsequent to the measurement date	76,756	
Totals	<u>\$ 244,132</u>	<u>\$ 237,358</u>

**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$6,774. The Town reported \$76,756 as deferred outflows of resources related to pension resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense in the measurement periods as follows:

<u>June 30,</u>	
2020	\$ 8,166
2021	(68,368)
2022	(29,764)
2023	19,984
	<u>\$ (69,982)</u>

***Actuarial Assumptions***

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2018, using the following actuarial assumptions:

Inflation	2.50%
Wage inflation	3.25% (3.00% for Teachers)
Salary increases	5.60% percent, average, including inflation
Investment rate of return	7.25%, net of pension plan investment expense, including inflation

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

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	4.25-4.50%
International equity	20%	4.50-6.00%
Fixed income	25%	1.12-2.46%
Alternative investments	15%	4.86-7.90%
Real estate	<u>10%</u>	3.00%
Total	<u>100%</u>	



**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

***Discount Rate***

The discount rate used to measure the collective pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer contributions are projected based on the expected payroll of current members only. 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 collective pension liability.

***Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease <u>(6.25%)</u>	Discount rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Town's proportionate share of the net pension liability	\$ 2,456,913	\$ 1,834,830	\$ 1,320,683

**NOTE 10—RESTRICTED NET POSITION**

Net position of governmental activities is restricted for specific purposes as follows:

Permanent Funds - Principal	\$ 287,144
Permanent Funds - Income	7,032
Mildred W. Page Fund	14,489
Woodsville Housing Fund	3,642
Police Forfeiture Fund	<u>7,972</u>
	<u>\$ 320,279</u>

**NOTE 11—COMPONENTS OF FUND BALANCE**

The Town's fund balance components for its governmental funds are comprised as follows:

**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

<u>Fund Balances</u>	<u>General Fund</u>	<u>Permanent Funds</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Nonspendable:</b>				
Prepaid items	\$ 21,610			\$ 21,610
Permanent Funds - principal		\$ 287,144		287,144
<b>Restricted for:</b>				
Mildred W. Page Fund			\$ 14,489	14,489
Woodsville Housing Fund			3,642	3,642
Police Forfeiture Fund			7,972	7,972
Permanent Funds - income		7,032		7,032
<b>Committed for:</b>				
Expendable Trust Funds	647,085			647,085
Police Special Details Fund			10,246	10,246
<b>Assigned for:</b>				
Cemetery Association Fund			21,359	21,359
Police Calendar Sales Fund			8,468	8,468
<b>Unassigned:</b>				
General operations	466,767			466,767
Airport Fund (deficit)			(10,426)	(10,426)
	<u>\$ 1,135,462</u>	<u>\$ 294,176</u>	<u>\$ 55,750</u>	<u>\$ 1,485,388</u>

**NOTE 12—PROPERTY TAXES**

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$345,559,571 as of April 1, 2019) and are due in two installments on July 5, 2019 and January 9, 2020. Taxes paid after the due dates accrue interest at 8% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year end).

Under State law, the Tax Collector obtains tax liens on properties which have unpaid taxes in the following calendar year after taxes were due for the amount of unpaid taxes, interest and costs. Priority tax liens obtained prior to April 1, 2019 accrue interest at 18% per annum. Priority tax liens obtained after April 1, 2019 accrue interest at 14% per annum. If the property is not redeemed within a two year redemption period, the property may be tax dedeed to the Town.

In accordance with State law, the Town collects taxes for the Haverhill Cooperative School District, Grafton County, Woodsville Fire, Haverhill Corner, North Haverhill Water and Light, and Mountain Lakes Precincts, all independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$7,276,358, \$616,720, \$99,552, \$35,202, \$46,712, and \$229,619 for the Haverhill Cooperative School District, Grafton County, Woodsville Fire, Haverhill Corner, North Haverhill Water and Light, and Mountain Lakes Precincts, respectively. These taxes are recognized in these financial statements within the fiduciary funds only. The Town bears responsibility for uncollected taxes.

**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

**NOTE 13—RISK MANAGEMENT**

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2019, the Town was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2019.

***Property and Liability Insurance***

The Trust provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the Town shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$200,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$1,200,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

***Worker's Compensation***

The Trust provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

**NOTE 14—COMMITMENTS**

During November 2016, the Town entered into a long-term contract with an independent company to provide cyclical revaluation services for the period January 1, 2017 through December 31, 2021. In accordance with the contract, 25% of the Town's parcels are to be appraised annually, with the exception of utility properties. Terms of the contract provide for monthly payments with the balance due in 2021 upon completion of the cyclical revaluation services. For the year ended December 31, 2019, the Town expended \$34,467 under the terms of the agreement.

During November 2016, the Town also entered into a long-term contract with an independent company for assessing services to the Town for the period January 1, 2017 through December 31, 2021. Terms of the contract provide for monthly payments of \$1,900. For the year ended December 31, 2019, the Town expended \$22,800 under the terms of the agreement.

**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

During February 2016, the Town entered into a long-term contract with an independent company for utility valuation services for the period April 1, 2016 through April 1, 2020. Terms of the contract provide for annual payments of \$10,800. For the year ended December 31, 2019, the Town expended \$10,800 under the terms of the agreement.

Minimum future payments for the next two years are as follows:

Year Ending December 31,	Cyclical revaluation <u>services</u>	Assessing <u>services</u>	Utility valuation <u>services</u>	<u>Total</u>
2020	\$ 31,200	\$ 22,800	\$ 10,800	\$ 64,800
2021	41,700	22,800		64,500
	<u>\$ 72,900</u>	<u>\$ 45,600</u>	<u>\$ 10,800</u>	<u>\$ 129,300</u>

**NOTE 15—CONTINGENCIES**

***Litigation***

There may be various claims and suits pending against the Town, which arise in the normal course of the Town's activities. In the opinion of Town management, any potential claims against the Town, which are not covered by insurance are immaterial and would not affect the financial position of the Town.

**NOTE 16—RESTATEMENT OF EQUITY**

***Governmental Activities***

During the year ended December 31, 2019, it was determined that long-term obligations, as previously reported, were overstated.

The impact on net position of the Governmental Activities as of January 1, 2019 is as follows:

Net Position - January 1, 2019 (as previously reported)	Governmental <u>Activities</u> \$ 4,540,772
Amount of restatement due to:	
Overstatement of long-term obligations	<u>236,044</u>
Net Position - January 1, 2019, as restated	<u>\$ 4,776,816</u>

***Governmental Funds***

During the year ended December 31, 2019, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84 – *Fiduciary Activities*. In addition, during the year ended December 31, 2019, it was determined that the interfund balance between the General Fund and the Nonmajor Governmental Funds was understated.

The impact on fund balance of the General Fund and Nonmajor Governmental Funds as of January 1, 2019 is as follows:

**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>
Fund Balance - January 1, 2019 (as previously reported)	\$ 574,452	\$ 87,899
Amount of restatement due to:		
Understatement of due from other funds	35,083	
Understatement of due to other funds		(35,083)
Implementation of GASB Statement No. 84	<u>302,471</u>	
Fund Balance - January 1, 2019, as restated	<u>\$ 912,006</u>	<u>\$ 52,816</u>

***Fiduciary Funds***

During the year ended December 31, 2019, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84 – *Fiduciary Activities*. In addition, during the year ended December 31, 2019, it was determined that various trust funds held by the Town had been misclassified. The impact on net position of the Private-Purpose Trust Funds and Custodial Funds as of January 1, 2019 is as follows:

	Private- Purpose <u>Trust Funds</u>	Custodial <u>Funds</u>
Net Position - January 1, 2019 (as previously reported)	\$ 1,241,803	\$ -
Amount of restatement due to:		
Scholarship funds misclassified as Private Purpose Trust Funds	(1,085,877)	1,085,877
Implementation of GASB Statement No. 84		<u>638,399</u>
Net Position - January 1, 2019, as restated	<u>\$ 155,926</u>	<u>\$ 1,724,276</u>

**NOTE 17—IMPLEMENTATION OF FUTURE ACCOUNTING STANDARDS**

During May 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, which is effective immediately. Under this pronouncement, the effective implementation dates of numerous accounting standards have been postponed by one year. The Town has adopted some provisions of GASB Statement No. 95.

In accordance with GASB Statement No. 95, the Town has postponed implementing GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowing and Direct Placements*, until the year ending December 31, 2020. Management believes that this pronouncement will have a potentially significant impact on the Town’s government-wide financial statements. Additional information on outstanding debt issuances will provide users with a better understanding of the effect on the Town’s future resource flows.

**NOTE 18—SUBSEQUENT EVENTS**

***Property Tax Settlement***

During January 2020, the Town entered into a property tax settlement agreement with a commercial taxpayer regarding the property valuations for 2014 through 2018. As a result, future tax revenues will be impacted by future abatements. Terms of the agreement result in the Town reducing the taxpayer’s semi-annual property tax billings through July 1, 2022.

**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)**  
**For the Year Ended December 31, 2019**

Future tax revenues will be impacted by future abatements as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2020	\$ 118,022
2021	78,681
2022	39,341
	<u>\$ 236,044</u>

***Lines of Credit***

During March 2020, the Town secured a line of credit up to \$1,000,000 with an interest rate of 2.75%. No funds were drawn down on this line of credit which expired on December 31, 2020.

During December 2021, the Town secured a line of credit up to \$1,500,000 with an interest rate of 1.95%. The entire amount of \$1,500,000 was drawn down during the year ending December 31, 2021 and was repaid during 2022.

***Capital Lease Obligations***

During March 2020, the Town entered into a capital lease agreement for the acquisition of a highway grader in the amount of \$220,400. This lease is due in annual installments of \$47,032, including interest at 3.35%, through March 2024. The contract is subject to cancellation should funds not be appropriated to meet payment obligations. During June 2021, the Town renegotiated the terms of the lease agreement. The terms of the amended agreement provide for an interest only payment during June 2021 followed by annual installments of \$61,704, including interest at 3.35%, through June 2024, and a final payment of \$1 due in June 2025.

During May 2020, the Town entered into a capital lease agreement for the acquisition of a dump truck in the amount of \$148,014. This lease is due in annual installments of \$75,000, including interest at 2.72%, through May 2021. The contract is subject to cancellation should funds not be appropriated to meet payment obligations. After the 2021 annual Town meeting, the non-appropriation clause within the lease agreement was exercised. During April 2021, an independent individual made the final installment payment and entered into an agreement to rent the vehicle to the Town for a period of one year.

***Town of Haverhill Fire Department***

As authorized per Articles #22 and #23 at the March 2020 annual Town meeting, Article #10 at the March 2020 annual meeting of the North Haverhill Water and Light District, and Article #2 at the March 2021 annual meeting of the Haverhill Corner Precinct, the Town of Haverhill will accept the control of the North Haverhill and Haverhill Corner fire departments and all their related fire assets. The separately maintained fire departments of the North Haverhill Water and Light District and Haverhill Corner Precinct will be operated and maintained as a department of the Town.

SCHEDULE 1  
**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance**  
**Budget and Actual (Budgetary Basis) - General Fund**  
For the Year Ended December 31, 2019

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 2,481,562	\$ 2,481,562	\$ 2,433,761	\$ (47,801)
Licenses and permits	969,348	969,348	993,751	24,403
Intergovernmental	1,176,880	1,176,880	525,858	(651,022)
Charges for services	132,022	132,022	135,018	2,996
Interest income	3,617	3,617	3,617	-
Miscellaneous	150,630	150,630	123,614	(27,016)
Total Revenues	<u>4,914,059</u>	<u>4,914,059</u>	<u>4,215,619</u>	<u>(698,440)</u>
Expenditures:				
Current:				
General government	1,184,094	1,184,094	1,095,456	88,638
Public safety	1,425,497	1,425,497	1,376,277	49,220
Airport/Aviation center	33,902	33,902	36,332	(2,430)
Highways and streets	1,698,185	1,698,185	1,005,029	693,156
Sanitation	3,001	3,001	1,086	1,915
Health and welfare	177,056	177,056	132,144	44,912
Culture and recreation	209,051	209,051	212,826	(3,775)
Conservation	100	100	200	(100)
Economic development	1,198	1,198		1,198
Capital outlay	25,000	25,000	24,841	159
Debt service:				
Principal retirement	43,631	43,631	43,631	-
Interest and fiscal charges	6,258	6,258	4,119	2,139
Total Expenditures	<u>4,806,973</u>	<u>4,806,973</u>	<u>3,931,941</u>	<u>875,032</u>
Excess revenues over (under) expenditures	<u>107,086</u>	<u>107,086</u>	<u>283,678</u>	<u>176,592</u>
Other financing sources (uses):				
Transfers in	63,000	63,000	6,000	(57,000)
Transfers out	<u>(400,000)</u>	<u>(400,000)</u>	<u>(400,350)</u>	<u>(350)</u>
Total Other financing sources (uses)	<u>(337,000)</u>	<u>(337,000)</u>	<u>(394,350)</u>	<u>(57,350)</u>
Net change in fund balance	(229,914)	(229,914)	(110,672)	119,242
Fund Balance - beginning of year				
- Budgetary Basis	<u>971,036</u>	<u>971,036</u>	<u>971,036</u>	<u>-</u>
Fund Balance - end of year				
- Budgetary Basis	<u>\$ 741,122</u>	<u>\$ 741,122</u>	<u>\$ 860,364</u>	<u>\$ 119,242</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

**TOWN OF HAVERHILL, NEW HAMPSHIRE**

**Schedule of Changes in the Town's Proportionate Share of the Net OPEB Liability**

For the Year Ended December 31, 2019

<u>Measurement Period Ended</u>	<b>Cost-Sharing Multiple Employer Plan Information Only</b>				
	<u>Town's Proportion of the Net OPEB Liability</u>	<u>Town's Proportionate Share of the Net OPEB Liability</u>	<u>Town's Covered Payroll</u>	<u>Town's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
June 30, 2019	0.04052288%	\$ 177,657	\$ 970,364	18.31%	7.75%
June 30, 2018	0.03770942%	\$ 172,651	\$ 902,758	19.12%	7.53%
June 30, 2017	0.03148131%	\$ 143,943	\$ 944,532	15.24%	7.91%
June 30, 2016	0.03025155%	\$ 146,449	\$ 918,468	15.94%	5.21%

*See accompanying notes to the required supplementary information*



SCHEDULE 3  
**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**Schedule of Town OPEB Contributions**  
For the Year Ended December 31, 2019

<b>Cost-Sharing Multiple Employer Plan Information Only</b>					
<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Town's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2019	\$ 16,606	\$ (16,606)	\$ -	\$ 956,633	1.74%
December 31, 2018	\$ 16,470	\$ (16,470)	\$ -	\$ 914,334	1.80%
December 31, 2017	\$ 19,107	\$ (19,107)	\$ -	\$ 966,200	1.98%
December 31, 2016	\$ 17,899	\$ (17,899)	\$ -	\$ 917,704	1.95%

*See accompanying notes to the required supplementary information*

SCHEDULE 4

**TOWN OF HAVERHILL, NEW HAMPSHIRE**

**Schedule of Changes in the Town's Proportionate Share of the Net Pension Liability**

For the Year Ended December 31, 2019

<u>For the Measurement Period Ended</u>	<u>Town's Proportion of the Net Pension Liability</u>	<u>Town's Proportionate Share of the Net Pension Liability</u>	<u>Town's Covered Payroll</u>	<u>Town's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2019	0.03813304%	\$ 1,834,830	\$ 970,364	189.09%	65.59%
June 30, 2018	0.03606323%	\$ 1,736,518	\$ 902,758	192.36%	64.73%
June 30, 2017	0.04220767%	\$ 2,075,770	\$ 944,532	219.77%	62.66%
June 30, 2016	0.04146710%	\$ 2,205,053	\$ 918,468	240.08%	58.30%
June 30, 2015	0.04385759%	\$ 1,737,430	\$ 969,216	179.26%	65.47%
June 30, 2014	0.04282683%	\$ 1,607,542	\$ 913,240	176.03%	66.32%
June 30, 2013	0.04015596%	\$ 1,728,226	\$ 866,950	199.35%	59.81%

*See accompanying notes to the required supplementary information*

SCHEDULE 5  
**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**Schedule of Town Pension Contributions**  
For the Year Ended December 31, 2019

<u>Year Ended</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Town's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2019	\$ 159,011	\$ (159,011)	\$ -	\$ 956,633	16.62%
December 31, 2018	\$ 152,790	\$ (152,790)	\$ -	\$ 914,334	16.71%
December 31, 2017	\$ 163,044	\$ (163,044)	\$ -	\$ 966,200	16.87%
December 31, 2016	\$ 149,474	\$ (149,474)	\$ -	\$ 917,704	16.29%
December 31, 2015	\$ 145,096	\$ (145,096)	\$ -	\$ 925,763	15.67%
December 31, 2014	\$ 141,359	\$ (141,359)	\$ -	\$ 932,347	15.16%
December 31, 2013	\$ 124,813	\$ (124,813)	\$ -	\$ 923,674	13.51%

*See accompanying notes to the required supplementary information*

**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For the Year Ended December 31, 2019**

**NOTE 1—BUDGET TO ACTUAL RECONCILIATION**

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the Town. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Budgetary expenditures were adjusted for encumbrances. Budgetary revenues and other financing sources and expenditures and other financing uses were adjusted for non-budgetary revenues and expenditures, and budgetary transfers as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 4,334,299	\$ 4,110,843
Difference in property taxes meeting susceptible to accrual criteria	(101,282)	
Encumbrances - December 31, 2018		(60,711)
Non-budgetary revenues and expenditures	(11,398)	(117,841)
Budgetary transfers		<u>400,000</u>
Per Schedule 1	<u>\$ 4,221,619</u>	<u>\$ 4,332,291</u>

**NOTE 2—BUDGETARY FUND BALANCE**

The components of the budgetary fund balance for the General Fund at December 31, 2019 are as follows:

<b>Nonspendable:</b>	
Prepaid items	\$ 21,610
<b>Unassigned:</b>	
General operations	<u>838,754</u>
	<u>\$ 860,364</u>

**NOTE 3—SCHEDULE OF CHANGES IN THE TOWN’S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND SCHEDULE OF TOWN OPEB CONTRIBUTIONS**

In accordance with GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the Town is required to disclose historical information for each of the prior ten years within a schedule of changes in the Town’s proportionate share of the net OPEB liability and schedule of Town OPEB contributions. The Town implemented the provisions of GASB Statement No. 75 during the year ended December 31, 2018. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as additional information becomes available.

**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)**  
**For the Year Ended December 31, 2019**

**NOTE 4— SCHEDULE OF CHANGES IN THE TOWN’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF TOWN PENSION CONTRIBUTIONS**

In accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the Town is required to disclose historical information for each of the prior ten years within a schedule of changes in the Town’s proportionate share of the net pension liability and schedule of Town pension contributions. The Town implemented the provisions of GASB Statement No. 68 during the year ended December 31, 2015. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as the information becomes available.

***Change in Actuarial Assumptions***

For the June 30, 2015 actuarial valuation, the New Hampshire Retirement System reduced its assumption for the investment rate of return from 7.75% to 7.25%, decreased the price inflation from 3.0% to 2.5%, decreased the wage inflation from 3.75% to 3.25%, and decreased the salary increases from 5.8% to 5.6%. Additionally, the mortality table was changed from the RP-2000 projected to 2020 with Scale AA to the RP-2014 employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP-2015.

SCHEDULE A  
**TOWN OF HAVERHILL, NEW HAMPSHIRE**  
**Combining Balance Sheet**  
**Governmental Funds - All Nonmajor Governmental Funds**  
December 31, 2019

	Cemetery Association Fund	Mildred W. Page Fund	Airport Fund	Woodsville Housing Fund	Police Forfeiture Fund	Police Special Details Fund	Police Calendar Sales Fund	Total Nonmajor Governmental Funds
<b>ASSETS</b>								
Cash and cash equivalents	\$ 21,359	\$ 14,489	\$ 823	\$ 3,642	\$ 8,572	\$ 3,994	\$ 9,707	\$ 62,586
Accounts receivable						1,885		1,885
Due from other funds						4,367		4,367
Total Assets	<u>21,359</u>	<u>14,489</u>	<u>823</u>	<u>3,642</u>	<u>8,572</u>	<u>10,246</u>	<u>9,707</u>	<u>68,838</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 21,359</u>	<u>\$ 14,489</u>	<u>\$ 823</u>	<u>\$ 3,642</u>	<u>\$ 8,572</u>	<u>\$ 10,246</u>	<u>\$ 9,707</u>	<u>\$ 68,838</u>
<b>LIABILITIES</b>								
Due to other funds			\$ 11,249		\$ 600		\$ 1,239	\$ 13,088
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>11,249</u>	<u>\$ -</u>	<u>600</u>	<u>\$ -</u>	<u>1,239</u>	<u>13,088</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>FUND BALANCES</b>								
Restricted		14,489		3,642	7,972			26,103
Committed						10,246		10,246
Assigned	21,359						8,468	29,827
Unassigned (deficit)			(10,426)					(10,426)
Total Fund Balances	<u>21,359</u>	<u>14,489</u>	<u>(10,426)</u>	<u>3,642</u>	<u>7,972</u>	<u>10,246</u>	<u>8,468</u>	<u>55,750</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 21,359</u>	<u>\$ 14,489</u>	<u>\$ 823</u>	<u>\$ 3,642</u>	<u>\$ 8,572</u>	<u>\$ 10,246</u>	<u>\$ 9,707</u>	<u>\$ 68,838</u>

SCHEDULE B

**TOWN OF HAVERHILL, NEW HAMPSHIRE**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances**

**Governmental Funds - All Nonmajor Governmental Funds**

For the Year Ended December 31, 2019

	Cemetery Association Fund	Mildred W. Page Fund	Airport Fund	Woodsville Housing Fund	Police Forfeiture Fund	Police Special Details Fund	Police Calendar Sales Fund	Total Nonmajor Governmental Funds
Revenues:								
Intergovernmental			\$ 8,252					\$ 8,252
Charges for services						\$ 6,417		6,417
Interest and investment income		\$ 14	8	\$ 5		2	\$ 7	36
Miscellaneous	\$ 15,460	9,949					6,450	31,859
Total Revenues	<u>15,460</u>	<u>9,963</u>	<u>8,260</u>	<u>5</u>	<u>\$ -</u>	<u>6,419</u>	<u>6,457</u>	<u>46,564</u>
Expenditures:								
Current operations:								
General government	23,751			2,500				26,251
Public safety						6,156	2,653	8,809
Capital outlay		2,920						2,920
Total Expenditures	<u>23,751</u>	<u>2,920</u>	<u>-</u>	<u>2,500</u>	<u>-</u>	<u>6,156</u>	<u>2,653</u>	<u>37,980</u>
Excess revenues over (under) expenditures	<u>(8,291)</u>	<u>7,043</u>	<u>8,260</u>	<u>(2,495)</u>	<u>-</u>	<u>263</u>	<u>3,804</u>	<u>8,584</u>
Other financing sources (uses):								
Transfers in			350					350
Transfers out	(6,000)							(6,000)
Total Other financing sources (uses)	<u>(6,000)</u>	<u>-</u>	<u>350</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(5,650)</u>
Net change in fund balances	(14,291)	7,043	8,610	(2,495)	-	263	3,804	2,934
Fund Balances (deficit) - beginning of year, as restated	<u>35,650</u>	<u>7,446</u>	<u>(19,036)</u>	<u>6,137</u>	<u>7,972</u>	<u>9,983</u>	<u>4,664</u>	<u>52,816</u>
Fund Balances (deficit) - end of year	<u>\$ 21,359</u>	<u>\$ 14,489</u>	<u>\$ (10,426)</u>	<u>\$ 3,642</u>	<u>\$ 7,972</u>	<u>\$ 10,246</u>	<u>\$ 8,468</u>	<u>\$ 55,750</u>

March 7, 2022

To the Selectboard and Town Manager  
Town of Haverhill, New Hampshire

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Haverhill, New Hampshire for the year ended December 31, 2019. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated November 9, 2020. Professional standards also require that we communicate to you the following information related to our audit.

### **Significant Audit Findings**

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Town of Haverhill, New Hampshire are described in Note 1 to the financial statements. During the year ended December 31, 2019, the Town of Haverhill, New Hampshire adopted and implemented the provisions of GASB Statement No. 84 – *Fiduciary Activities*. Accordingly, the cumulative effect of the accounting change as of the beginning of the year has been reported in the financial statements and is described in Note 16 to the basic financial statements. We noted no transactions entered into by the Town of Haverhill, New Hampshire during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information are:

Management's estimate of the allowance for uncollectible receivables is based on the likelihood of the Town to collect monies owed to it. We evaluated the key factors and assumptions used to develop the estimate for uncollectible receivables in determining that it is reasonable in relation to the financial statements taken as a whole. Also, management's estimates of the useful lives of depreciable capital assets are based on historical records of utilization, necessary improvements and replacements. We evaluated the key factors and assumptions used to develop the useful lives of depreciable capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.

Significant estimates also include actuarial assumptions used in determining cost-sharing pension and other postemployment benefit costs which are based on plan audited financial statements. We evaluated the assumptions used in the plan audited financial statements to determine that they are reasonable in relation to the financial statements as a whole.



Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements is:

As discussed in Note 2 to the financial statements, the Town has not implemented the single employer provisions of GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The single employer provision of GASB Statement No. 75 was required to be implemented by the Town during the year ended December 31, 2018.

The financial statement disclosures are neutral, consistent, and clear.

### ***Difficulties Encountered in Performing the Audit***

The audit of the Town's financial statements was significantly delayed as the financial records had not been reconciled in a timely manner. The preliminary trial balance figures needed to start the audit were not provided until October 2021. A preliminary bank reconciliation for the General Fund's December 31, 2019 cash balance was received in January 2022 resulting in additional adjustments to be recorded. The inability to provide timely information resulted in an excessive amount of time to lapse between the date of the engagement letter, the fieldwork date, and the release of the report.

### ***Corrected and Uncorrected Misstatements***

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. Please see the attached schedule of material adjustments detected and corrected as a result of audit procedures.

### ***Disagreements with Management***

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### ***Management Representations***

We have requested certain representations from management that are included in the management representation letter dated March 7, 2022.

### ***Management Consultations with Other Independent Accountants***

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Town of Haverhill, New Hampshire's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### ***Other Audit Findings or Issues***

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Town of Haverhill, New Hampshire's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

The Town did not adopt all provisions of GASB No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* during the current year which resulted in an adverse opinion on the Governmental Activities.

As described in the Report on Internal Control Based on an Audit of Basic Financial Statements, we noted that the balances within the general ledger are not being properly reconciled in a timely manner. We considered this finding to be a material weakness in internal control over financial reporting.

### **Other Matters**

We applied certain limited procedures to the budgetary comparison information, schedule of changes in the Town's proportionate share of the net OPEB liability, schedule of Town OPEB contributions, schedule of changes in the Town's proportionate share of the net pension liability and schedule of Town pension contributions, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on the combining nonmajor governmental fund financial statements, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

### **Restriction on Use**

This information is intended solely for the use of the Selectboard and management of the Town of Haverhill, New Hampshire and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

*Vachon Clukay & Company PC*

Town of Haverhill, New Hampshire  
Material Audit Adjustments  
For the year ended December 31, 2019

The following is a listing of the material audit adjustments made for the year ended December 31, 2019 and have been corrected by management:

***General Fund:***

- To restore the prior year fund balance by \$173,379.
- To increase the allowance for uncollected taxes in the amount of \$100,000.
- To reverse prior year receivables of \$78,650 that were received during 2019.
- To reverse prior year payables of \$83,047 that were paid during 2019.
- To reverse client recorded entries and increase expenditures by \$42,805.
- To reduce cash by \$60,953 for an unrecorded disbursement and a deposit recorded twice.

***Aggregate Remaining Funds:***

- To adjust investments of the Fiduciary Funds to their fair value at year end by \$95,549.

**REPORT ON INTERNAL CONTROL BASED ON  
AN AUDIT OF BASIC FINANCIAL STATEMENTS**

To the Selectboard and Town Manager  
Town of Haverhill, New Hampshire

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

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiency in the Town's internal control to be a material weakness:

**GENERAL LEDGER**

***Observation***

We noted that the balances in the general ledger had not been properly reconciled in a timely manner during the year ended December 31, 2019. The audit fieldwork began during October 2021. However, the preliminary trial balance provided to us was not in "auditable" condition as the year end cash balance had not been reconciled. In addition, the property tax related balances had not been reconciled to the tax collector's records. During January 2022, a preliminary copy of the December 2019 bank reconciliation was received, which identified disbursements that had not been recorded in the general ledger and a tax collector receipt that had inadvertently been recorded twice.

***Implication***

Controls over the financial activities of the Town are weakened. The failure to reconcile the activity throughout the year increases the risk that errors may occur and remain undetected. In addition, the Selectboard and Town Manager are making financial decisions based upon inaccurate financial information.

***Recommendation***

The Town needs to take immediate steps to improve its internal accounting to ensure that balances are reconciled in a timely manner. We recommend that all balance sheet accounts be reconciled on a monthly basis to detect any errors or omissions in a timely fashion. Any discrepancies should be identified and properly adjusted.

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

*Vachon Clukay & Company PC*

Manchester, New Hampshire  
March 7, 2022