

**TOWN OF NORTHWOOD,
NEW HAMPSHIRE**

ANNUAL FINANCIAL REPORT

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

TOWN OF NORTHWOOD, NEW HAMPSHIRE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

TABLE OF CONTENTS

		<u>PAGES</u>
INDEPENDENT AUDITOR'S REPORT		1 – 2
MANAGEMENT DISCUSSION		3
 BASIC FINANCIAL STATEMENTS 		
Government-wide Financial Statements		
A	Statement of Net Position	4
B	Statement of Activities	5
Fund Financial Statements		
<i>Governmental Funds</i>		
C-1	Balance Sheet	6
C-2	Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position.....	7
C-3	Statement of Revenues, Expenditures, and Changes in Fund Balances.....	8
C-4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds to the Statement of Activities.....	9
<i>Budgetary Comparison Information</i>		
D	Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) – General Fund	10
<i>Fiduciary Funds</i>		
E-1	Statement of Fiduciary Net Position.....	11
E-2	Statement of Changes in Fiduciary Net Position	12
NOTES TO THE BASIC FINANCIAL STATEMENTS		13 - 34
 REQUIRED SUPPLEMENTARY INFORMATION 		
F	Schedule of the Town's Proportionate Share of Net Pension Liability	35
G	Schedule of Town Contributions – Pensions	36
NOTE TO THE REQUIRED SUPPLEMENTARY INFORMATION - PENSION LIABILITY		37
H	Schedule of the Town's Proportionate Share of Net Other Postemployment Benefits Liability	38
I	Schedule of Town Contributions – Other Postemployment Benefits	39
J	Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios.....	40
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION - OTHER POSTEMPLOYMENT BENEFITS LIABILITY		41
 COMBINING AND INDIVIDUAL FUND SCHEDULES 		
Governmental Funds		
<i>Major General Fund</i>		
1	Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis).....	42
2	Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis).....	43 - 44
3	Schedule of Changes in Unassigned Fund Balance.....	45
<i>Nonmajor Governmental Funds</i>		
4	Combining Balance Sheet	46
5	Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances.....	47
<i>Custodial Funds</i>		
6	Combining Schedule of Fiduciary Net Position.....	48
7	Combining Schedule of Changes in Fiduciary Net Position	49



PLODZIK & SANDERSON

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Northwood
Northwood, New Hampshire

We have audited the accompanying financial statements of the governmental activities, major fund, and aggregate remaining fund information of the Town of Northwood as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and aggregate remaining fund information of the Town of Northwood, as of December 31, 2020, and the respective changes in financial position and, the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Management's Discussion and Analysis – Management has omitted a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Management has provided a Management Discussion to specifically address the significant impact to the Town's fund balance as a result of the global pandemic. The Management Discussion provides additional insight as to the cause of the increase in fund balance as well as the intentions of governance to systematically return the fund balance level to the Town's established recommended level. While information provided in the Management Discussion is important it fails to meet the basic requirements of a Management's Discussion and Analysis as determined by the Governmental Accounting Standards Board. Our opinion on the basic financial statements is not affected by the missing information.

***Town of Northwood
Independent Auditor's Report***

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

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

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

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

July 20, 2021

*Plodzik & Sanderson
Professional Association*

TOWN OF NORTHWOOD, NEW HAMPSHIRE
MANAGEMENT DISCUSSION
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

Fiscal year 2020 was an exceptionally challenging year due to the Covid -19 pandemic and a number of changes in key staff positions including the Town Administrator and Finance Director. As the pandemic developed in late February/early March, there was a general concern about how the pandemic would impact the Town of Northwood both on the expenditure and the revenue sides. As a result of these concerns the Select Board took prudent action by limiting spending to essential expenditures only for the balance of the fiscal year. As a result of this decision, most departments had a significant unexpended balance in their budgets at the end of FY2020. Unlike what was projected to be a very difficult year for receiving State and local revenue, revenues came in only slightly less than FY2019 resulting in excess revenue over the budgeted amount. This contributed to a significant increase in the unrestricted fund balance as of December 31, 2020.

Looking forward to 2021, management will update key financial policies as recommended in the 2019 and 2020 audit. A plan will be developed to bring the existing unrestricted fund balance into compliance with the Town's existing fund balance policy of 6% of total gross expenditures for the local, county and school district. The plan will utilize approximately \$300,000 per year over the next seven years to offset some capital expenditures or reduce the annual tax rate. The greatest challenge for management in 2021 will be maintaining local services at their current levels with the third default budget in three years. Increases in wages, benefits, NH retirement and energy to name a few will be difficult to absorb in a budget that dates back to 2018.

If you have any questions concerning the above Management Discussion, please contact the Town of Northwood's Town Administrator at 603-942-5586.

BASIC FINANCIAL STATEMENTS

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

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 4,774,831
Taxes receivables (net)	1,012,035
Account receivables (net)	112,632
Intergovernmental receivable	216,184
Tax dedeed property, subject to resale	246,202
Capital assets:	
Land and construction in progress	2,337,935
Other capital assets, net of depreciation	3,903,906
Total assets	12,603,725
DEFERRED OUTFLOWS OF RESOURCES	
Amounts related to pensions	841,183
Amounts related to other postemployment benefits	57,522
Total deferred outflows of resources	898,705
LIABILITIES	
Accounts payable	660,362
Accrued salaries and benefits	58,443
Contracts payable	25,371
Accrued interest payable	1,323
Intergovernmental payable	2,709
Long-term liabilities:	
Due within one year	62,426
Due in more than one year	4,034,141
Total liabilities	4,844,775
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue - tax agreements	22,962
Unavailable revenue - property taxes	18,379
Amounts related to pensions	194,543
Amounts related to other postemployment benefits	75,586
Total deferred inflows of resources	311,470
NET POSITION	
Net investment in capital assets	5,907,800
Restricted	779,399
Unrestricted	1,658,986
Total net position	\$ 8,346,185

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

EXHIBIT B
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Statement of Activities
For the Fiscal Year Ended December 31, 2020

	Expenses	Program Revenues		Net (Expense) Revenue and Change In Net Position
		Charges for Services	Operating Grants and Contributions	
General government	\$ 1,178,266	\$ 3,329	\$ -	\$ (1,174,937)
Public safety	1,757,045	217,815	-	(1,539,230)
Highways and streets	551,948	-	145,377	(406,571)
Sanitation	251,955	53,488	-	(198,467)
Health	27,143	-	-	(27,143)
Welfare	11,524	7,944	-	(3,580)
Culture and recreation	262,479	5,453	-	(257,026)
Conservation	35,831	4,250	-	(31,581)
Total governmental activities	<u>\$ 4,076,191</u>	<u>\$ 292,279</u>	<u>\$ 145,377</u>	<u>(3,638,535)</u>
General revenues:				
Taxes:				
Property				2,688,555
Other				167,037
Motor vehicle permit fees				981,722
Licenses and other fees				122,043
Grants and contributions not restricted to specific programs				934,864
Unrestricted investment earnings				9,885
Miscellaneous				159,125
Total general revenues				<u>5,063,231</u>
Change in net position				1,424,696
Net position, beginning, as restated (see Note 17)				6,921,489
Net position, ending				<u>\$ 8,346,185</u>

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

EXHIBIT C-1
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Governmental Funds
Balance Sheet
December 31, 2020

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 3,475,872	\$ 1,298,959	\$ 4,774,831
Taxes receivable	1,177,035	-	1,177,035
Accounts receivable (net)	250	112,382	112,632
Intergovernmental receivable	216,184	-	216,184
Interfund receivable	1,348	26,865	28,213
Tax dedeed property, subject to resale	246,202	-	246,202
Total assets	<u>\$ 5,116,891</u>	<u>\$ 1,438,206</u>	<u>\$ 6,555,097</u>
LIABILITIES			
Accounts payable	\$ 651,092	\$ 9,270	\$ 660,362
Accrued salaries and benefits	58,443	-	58,443
Contracts payable	25,371	-	25,371
Intergovernmental payable	2,709	-	2,709
Interfund payable	24,565	3,648	28,213
Total liabilities	<u>762,180</u>	<u>12,918</u>	<u>775,098</u>
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - property taxes	205,516	-	205,516
Unavailable revenue - tax agreements	22,962	-	22,962
Total deferred inflows of resources	<u>228,478</u>	<u>-</u>	<u>228,478</u>
FUND BALANCES			
Nonspendable	246,202	399,434	645,636
Restricted	7,899	125,864	133,763
Committed	756,826	899,990	1,656,816
Assigned	117,189	-	117,189
Unassigned	2,998,117	-	2,998,117
Total fund balances	<u>4,126,233</u>	<u>1,425,288</u>	<u>5,551,521</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 5,116,891</u>	<u>\$ 1,438,206</u>	<u>\$ 6,555,097</u>

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

EXHIBIT C-2
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Position
December 31, 2020

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total fund balances of governmental funds (Exhibit C-1)		\$ 5,551,521
Capital assets used in governmental activities are not current financial resources, therefore, are not reported in the governmental funds.		
Cost	\$ 11,614,204	
Less accumulated depreciation	<u>(5,372,363)</u>	
		6,241,841
Pension and other postemployment benefit (OPEB) related deferred outflows of current year, and therefore, are not reported in the governmental funds as follows:		
Deferred outflows of resources related to pensions	\$ 841,183	
Deferred inflows of resources related to pensions	(194,543)	
Deferred outflows of resources related to OPEB	57,522	
Deferred inflows of resources related to OPEB	<u>(75,586)</u>	
		628,576
Interfund receivables and payables between governmental funds are eliminated on the Statement of Net Position.		
Receivables	\$ (28,213)	
Payables	<u>28,213</u>	
		-
Long-term revenue (taxes) is not available to pay current-period expenditures, and therefore, is deferred in the governmental funds.		187,137
Allowance for uncollectible property taxes that is recognized on a full accrual basis, but not on the modified accrual basis.		(165,000)
Interest on long-term debt is not accrued in governmental funds.		
Accrued interest payable		(1,323)
Long-term liabilities are not due and payable in the current period, therefore, are not reported in the governmental funds.		
Capital leases	\$ 334,041	
Compensated absences	95,593	
Net pension liability	3,102,416	
Other postemployment benefits	<u>564,517</u>	
		<u>(4,096,567)</u>
Net position of governmental activities (Exhibit A)		<u><u>\$ 8,346,185</u></u>

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

EXHIBIT C-3
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2020

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Taxes	\$ 2,955,134	\$ 22,725	\$ 2,977,859
Licenses and permits	1,103,765	-	1,103,765
Intergovernmental	1,080,241	-	1,080,241
Charges for services	70,236	222,043	292,279
Miscellaneous	156,682	12,328	169,010
Total revenues	<u>5,366,058</u>	<u>257,096</u>	<u>5,623,154</u>
EXPENDITURES			
Current:			
General government	1,138,908	10,243	1,149,151
Public safety	1,854,510	142,342	1,996,852
Highways and streets	290,683	-	290,683
Sanitation	248,949	-	248,949
Health	27,143	-	27,143
Welfare	11,524	-	11,524
Culture and recreation	230,603	7,976	238,579
Conservation	35,831	-	35,831
Capital outlay	1,092,879	-	1,092,879
Total expenditures	<u>4,931,030</u>	<u>160,561</u>	<u>5,091,591</u>
Excess of revenues over expenditures	<u>435,028</u>	<u>96,535</u>	<u>531,563</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	13,875	-	13,875
Transfers out	-	(13,875)	(13,875)
Inception of capital leases	165,000	-	165,000
Total other financing sources (uses)	<u>178,875</u>	<u>(13,875)</u>	<u>165,000</u>
Net change in fund balances	613,903	82,660	696,563
Fund balances, beginning, as restated (see Note 17)	3,512,330	1,342,628	4,854,958
Fund balances, ending	<u>\$ 4,126,233</u>	<u>\$ 1,425,288</u>	<u>\$ 5,551,521</u>

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

EXHIBIT C-4
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances - Governmental Funds to the Statement of Activities
For the Fiscal Year Ended December 31, 2020

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 696,563
Amounts reported for governmental activities in the Statement of Activities are different because:		
Governmental funds report capital outlays as expenditures, while governmental activities report depreciation expense to allocate those expenditures over the life of the assets. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:		
Capitalized capital outlay	\$ 1,573,431	
Depreciation expense	<u>(361,758)</u>	1,211,673
Transfers in and out between governmental funds are eliminated on the Statement of Activities.		
Transfers in	\$ (13,875)	
Transfers out	<u>13,875</u>	-
Revenue in the Statement of Activities that does not provide current financial resources is not reported as revenue in the governmental funds.		
Increase in deferred tax revenue		(122,267)
Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		
Inception of capital leases	\$ (165,000)	
Repayment of capital leases	<u>39,299</u>	(125,701)
Some expenses reported in the Statement of Activities do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.		
Decrease in accrued interest expense	\$ 433	
Increase in compensated absences	(25,862)	
Net change in net pension liability, and related deferred outflows of resources and deferred inflows of resources	(225,788)	
Net change in other postemployment benefits liability, and related deferred outflows of resources and deferred inflows of resources	<u>15,645</u>	(235,572)
Changes in net position of governmental activities (Exhibit B)		<u>\$ 1,424,696</u>

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

EXHIBIT D
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget and Actual (Non-GAAP Budgetary Basis)
General Fund
For the Fiscal Year Ended December 31, 2020

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative)
REVENUES				
Taxes	\$ 2,814,199	\$ 2,814,199	\$ 2,832,867	\$ 18,668
Licenses and permits	950,000	950,000	1,103,765	153,765
Intergovernmental	363,298	594,108	933,303	339,195
Charges for services	50,000	50,000	70,236	20,236
Miscellaneous	31,800	31,800	126,233	94,433
Total revenues	<u>4,209,297</u>	<u>4,440,107</u>	<u>5,066,404</u>	<u>626,297</u>
EXPENDITURES				
Current:				
General government	1,097,297	1,097,297	1,087,614	9,683
Public safety	1,408,168	1,638,978	1,567,454	71,524
Highways and streets	648,108	648,108	343,683	304,425
Sanitation	168,677	168,677	244,749	(76,072)
Health	53,037	53,037	27,143	25,894
Welfare	25,760	25,760	10,481	15,279
Culture and recreation	276,188	276,188	210,250	65,938
Conservation	3,552	3,552	981	2,571
Economic development	604	604	-	604
Debt service:				
Interest	1	1	-	1
Capital outlay	839,404	839,404	1,092,879	(253,475)
Total expenditures	<u>4,520,796</u>	<u>4,751,606</u>	<u>4,585,234</u>	<u>166,372</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(311,499)</u>	<u>(311,499)</u>	<u>481,170</u>	<u>792,669</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	413,875	413,875	153,875	(260,000)
Transfers out	(181,881)	(181,881)	(181,881)	-
Total other financing sources (uses)	<u>231,994</u>	<u>231,994</u>	<u>(28,006)</u>	<u>(260,000)</u>
Net change in fund balances	<u>\$ (79,505)</u>	<u>\$ (79,505)</u>	453,164	<u>\$ 532,669</u>
Decrease in nonspendable fund balance			11,603	
Decrease in committed fund balance			539,532	
Unassigned fund balance, beginning			2,015,955	
Unassigned fund balance, ending			<u>\$ 3,020,254</u>	

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

EXHIBIT E-1
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2020

	Private Purpose Trust Funds	Other Custodial Funds	Total
ASSETS			
Cash and cash equivalents	\$ 41,645	\$ 2,895,687	\$ 2,937,332
LIABILITIES			
Due to school district	\$ -	\$ 2,242,611	\$ 2,242,611
NET POSITION			
Restricted	41,645	653,076	694,721
Total liabilities and net position	\$ 41,645	\$ 2,895,687	\$ 2,937,332

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

EXHIBIT E-2
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2020

	Private Purpose Trust Funds	Other Custodial Funds	Total
ADDITIONS			
Contributions	\$ -	\$ 53,989	\$ 53,989
Investment earnings	209	3,189	3,398
Tax collections for other governments	-	9,257,970	9,257,970
Total additions	<u>209</u>	<u>9,315,148</u>	<u>9,315,357</u>
DEDUCTIONS			
Payments to water and village districts	-	17,579	17,579
Payments of taxes to other governments	-	9,257,970	9,257,970
Payments for escrow purposes	-	17,162	17,162
Total deductions	<u>-</u>	<u>9,292,711</u>	<u>9,292,711</u>
Change in net position	209	22,437	22,646
Net position, beginning	41,436	630,639	672,075
Net position, ending	<u>\$ 41,645</u>	<u>\$ 653,076</u>	<u>\$ 694,721</u>

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

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

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

DETAILED NOTES ON ALL FUNDS

Cash and Cash Equivalents	3
Taxes Receivable	4
Other Receivables	5
Capital Assets	6
Interfund Balances and Transfers	7
Intergovernmental Payables	8
Deferred Outflows/Inflows of Resources	9
Capital Lease Obligations	10
Long-term Liabilities	11
Defined Benefit Pension Plan	12
Postemployment Benefits Other Than Pensions	13
New Hampshire Retirement System (NHRS)	13-A
Town of Northwood Retiree Health Benefit Program	13-B
Encumbrances	14
Governmental Activities and Fiduciary Funds Net Position	15
Governmental Fund Balances	16
Prior Period Adjustment	17
Risk Management	18
COVID-19	19
Tax Abatements	20
Subsequent Events	21

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

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

1-A Reporting Entity

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

1-B Basis of Accounting, and Measurement Focus

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

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

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

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

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

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

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

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

The Town reports the following major governmental fund:

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

Additionally, the Town reports the following fund types:

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

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

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

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

The Town reports the following fiduciary funds:

Private Purpose Trust Fund – are used to report trust arrangements, other than pension and investment trusts, under which principal and income benefit individuals, private organizations, or other governments.

Custodial Fund – are custodial in nature and do not belong to the primary government. A custodial fund is used to account for assets held on behalf of outside parties, including other governments.

1-C Cash and Cash Equivalents

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

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-D Receivables

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

1-E Capital Assets

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

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

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

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

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

Capital Asset Classes:	<u>Years</u>
Land improvements	20
Buildings and building improvements	5-50
Infrastructure	5-7
Machinery, equipment, and vehicles	5-20

1-F Interfund Activities

Interfund activities are reported as follows:

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

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

1-G Property Taxes

Property tax billings occur semi-annually and are based on the assessed inventory values as of April 1 of each year in accordance with RSA 76:15-a, *Semi-Annual Collection of Taxes in certain Towns and Cities*. Warrants for the year were issued on May 15, 2020 and November 5, 2020, and due on July 1, 2020 and December 11, 2020. Interest accrues at a rate of 8% on bills outstanding after the due date and 14% on tax liens outstanding. The Town placed a lien on all outstanding taxes from 2019 on May 18, 2020.

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

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

For the New Hampshire education tax	\$ 677,918,411
For all other taxes	\$ 684,256,811

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

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

	Per \$1,000 of Assessed Valuation	Property Taxes Assessed
Municipal portion	\$ 4.23	\$ 2,890,878
School portion:		
State of New Hampshire	1.64	1,112,170
Local	11.15	7,630,441
County portion	0.75	515,359
Precinct portions:		
Northwood Cove	0.92	12,975
Gulf Village District	0.94	20,957
Total	\$ 19.63	\$12,182,780

1-H Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2020.

1-I Deferred Outflows/Inflows of Resources

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

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

1-J Long-term Obligations

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

1-K Compensated Absences

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

Sick Leave - The Town’s policy allows certain employees to earn varying amounts of sick time as set forth by the Town’s personnel policy. A liability for those amounts is recorded in the government-wide financial statements.

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

1-L Defined Benefit Pension Plan

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

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

1-M Postemployment Benefits Other Than Pensions

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

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

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

1-N Net Position/Fund Balances

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

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

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

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

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

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

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

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

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

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

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

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

In the general fund, the Town strives to maintain an unassigned fund balance of 6% of the general fund’s annual budget including Town, School, and County appropriations.

1-O Use of Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

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

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

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

State statutes require balanced budgets but provide for the use of beginning unassigned fund balance to achieve that end. For the fiscal year 2020, none of the beginning general fund unassigned fund balance was applied for this purpose and \$79,505 was voted from unassigned fund balance as a transfer to the expendable trust funds.

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

2-B Budgetary Reconciliation to GAAP Basis

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

Revenues and other financing sources:	
Per Exhibit D (budgetary basis)	\$5,220,279
Adjustment:	
Basis difference:	
Inception of capital leases	165,000
GASB Statement No. 54:	
To record miscellaneous income of the blended funds	177,387
To eliminate transfers between blended funds	(140,000)
Change in deferred tax revenue relating to 60-day revenue recognition recognized as revenue on the GAAP basis, but not on the budgetary basis	122,267
Per Exhibit C-3 (GAAP basis)	<u>\$5,544,933</u>
Expenditures and other financing uses:	
Per Exhibit D (budgetary basis)	\$4,767,115
Adjustment:	
Basis differences:	
Inception of capital leases	165,000
Encumbrances, beginning	44,160
Encumbrances, ending	(117,189)
GASB Statement No. 54:	
To record expenditures of the blended funds during the year	253,825
To eliminate transfers between general and blended funds	(181,881)
Per Exhibit C-3 (GAAP basis)	<u>\$4,931,030</u>

DETAILED NOTES ON ALL FUNDS

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town's agent in the Town's name. The FDIC currently insures the first \$250,000 of the Town's deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town's deposits was \$7,712,163 and the bank balances totaled \$9,997,621. Petty cash totaled \$130.

Cash and cash equivalents reconciliation:

Cash per Statement of Net Position (Exhibit A)	\$4,774,831
Cash per Statement of Net Position - Fiduciary Fund (Exhibit E-1)	2,937,332
Total cash and cash equivalents	<u>\$7,712,163</u>

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

NOTE 4 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2020. The amount has been reduced by an allowance for an estimated uncollectible amount of \$165,000. Taxes receivable by year are as follows:

	As reported on:	
	Exhibit A	Exhibit C-1
Property:		
Levy of 2020	\$ 844,566	\$ 844,566
Unredeemed (under tax lien):		
Levy of 2019	162,859	162,859
Levy of 2018	113,907	113,907
Levies of 2017 and prior	44,640	44,640
Land use change	11,063	11,063
Less: allowance for estimated uncollectible taxes	(165,000) *	-
Net taxes receivable	\$1,012,035	\$1,177,035

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

NOTE 5 – OTHER RECEIVABLES

Receivables at December 31, 2020, consisted of accounts (billings for police details, ambulance, and other user charges) and intergovernmental amounts arising from grants. Receivables are recorded on the Town's financial statements to the extent that the amounts are determined to be material and substantiated not only by supporting documentation, but also by a reasonable, systematic method of determining their existence, completeness, valuation, and collectability.

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

	General Fund	Nonmajor Funds	Total
Receivables:			
Accounts	\$ 250	\$ 265,469	\$ 265,719
Intergovernmental	216,184	-	216,184
Gross receivables	216,434	265,469	481,903
Less: allowance for uncollectibles	-	(153,087)	(153,087)
Net total receivables	\$216,434	\$ 112,382	\$ 328,816

NOTE 6 – CAPITAL ASSETS

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

	Balance, beginning	Additions	Balance, ending
At cost:			
Not being depreciated:			
Land	\$2,097,048	\$ -	\$ 2,097,048
Construction in progress	-	240,887	240,887
Total capital assets not being depreciated	2,097,048	240,887	2,337,935

(Continued)

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

Capital assets continued:

	<u>Balance, beginning</u>	<u>Additions</u>	<u>Balance, ending</u>
Being depreciated:			
Land improvements	590,448	-	590,448
Buildings and building improvements	891,155	-	891,155
Infrastructure	3,407,522	1,032,784	4,440,306
Machinery, equipment, and vehicles	3,054,600	299,760	3,354,360
Total capital assets being depreciated	<u>7,943,725</u>	<u>1,332,544</u>	<u>9,276,269</u>
Total all capital assets	<u>10,040,773</u>	<u>1,573,431</u>	<u>11,614,204</u>
Less accumulated depreciation:			
Land improvements	(278,125)	(27,257)	(305,382)
Buildings and building improvements	(477,026)	(20,856)	(497,882)
Infrastructure	(2,251,586)	(215,436)	(2,467,022)
Machinery, equipment, and vehicles	(2,003,868)	(98,209)	(2,102,077)
Total accumulated depreciation	<u>(5,010,605)</u>	<u>(361,758)</u>	<u>(5,372,363)</u>
Net book value, capital assets being depreciated	<u>2,933,120</u>	<u>970,786</u>	<u>3,903,906</u>
Net book value, all capital assets	<u>\$ 5,030,168</u>	<u>\$ 1,211,673</u>	<u>\$ 6,241,841</u>

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

General government	\$ 6,824
Public safety	80,576
Highways and streets	250,332
Sanitation	3,682
Culture and recreation	20,344
Total depreciation expense	<u>\$ 361,758</u>

NOTE 7 – INTERFUND BALANCES AND TRANSFERS

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Nonmajor	\$ 1,348
Nonmajor	General	24,565
Nonmajor	Nonmajor	2,300
		<u>\$ 28,213</u>

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

Interfund Transfers - The composition of interfund transfers for the year ended December 31, 2020 is as follows:

	<u>Transfers In:</u>
	General
	<u>Fund</u>
Transfers out:	
Nonmajor fund	<u>\$ 13,875</u>

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

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

NOTE 8 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$2,245,320 at December 31, 2020 consist of the following:

General fund:		
Miscellaneous fees due to the State of New Hampshire	\$	2,709
Fiduciary fund:		
Balance of trust funds belonging to the Northwood School District		<u>2,242,611</u>
Total intergovernmental payables due		<u><u>\$2,245,320</u></u>

NOTE 9 – DEFERRED OUTFLOWS/INFLOWS OF RESOURCES

Deferred outflows of resources of at December 31, 2020 consist of amounts related to pensions totaling \$841,183 and amounts related to OPEB totaling \$57,522. For further discussion on these amounts, see Note 12 and 13, respectively.

Deferred inflows of resources are as follows:

	<u>Exhibit A</u>	<u>Exhibit C-1</u>
Prepaid property taxes	\$ 18,379	\$ 18,379
Tax agreements	22,962	22,962
Deferred property taxes not collected within 60 days of fiscal year-end	-	187,137
Amounts related to pensions (see Note 12)	194,543	-
Amounts related to other postemployment benefits (see Note 13)	75,586	-
Total deferred inflows of resources	<u><u>\$ 311,470</u></u>	<u><u>\$ 228,478</u></u>

NOTE 10 – CAPITAL LEASE OBLIGATIONS

The Town has entered into certain capital lease agreements under which the related equipment will become the property of the Town when all the terms of the lease agreements are met.

	<u>Standard</u>	<u>Present Value</u>
	<u>Interest</u>	<u>of Remaining</u>
	<u>Rate</u>	<u>Payments as of</u>
		<u>December 31, 2020</u>
Capital lease obligations:		
Backhoe	3.25%	\$ 38,699
Dump truck	3.89%	130,342
Ambulance	2.74%	165,000
Total capital lease obligations		<u><u>\$ 334,041</u></u>

Leased equipment under the capital leases, included in capital assets, is as follows:

	<u>Governmental</u>
	<u>Activities</u>
Vehicles:	
Backhoe	\$ 75,000
Dump truck	162,900
Ambulance	165,000
Total equipment	<u>402,900</u>
Less: accumulated depreciation	<u>(30,152)</u>
Total capital lease equipment	<u><u>\$ 372,748</u></u>

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

The annual requirements to amortize the capital leases payable as of December 31, 2020, including interest payments, are as follows:

Fiscal Year Ending December 31,	Governmental Activities
2021	\$ 72,961
2022	72,961
2023	52,663
2024	52,663
2025	52,663
2026-2027	65,669
Total requirements	369,580
Less: interest	(35,539)
Present value of remaining payments	\$ 334,041

Amortization of lease equipment under capital assets is included with depreciation expense.

NOTE 11 – LONG-TERM LIABILITIES

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

	Balance January 1, 2020	Additions	Reductions	Balance December 31, 2020	Due Within One Year
Capital leases	\$ 208,340	\$ 165,000	\$ (39,299)	\$ 334,041	\$ 62,426
Compensated absences	69,731	25,862	-	95,593	-
Net pension liability	2,136,124	966,292	-	3,102,416	-
Net other postemployment benefits	562,132	19,917	(17,532)	564,517	-
Total long-term liabilities	\$ 2,976,327	\$ 1,177,071	\$ (56,831)	\$ 4,096,567	\$ 62,426

NOTE 12 – DEFINED BENEFIT PENSION PLAN

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

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

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

Group II benefits are provided based on age, years of creditable service and benefit multiplier depending on vesting status as of 1/1/12. The maximum retirement allowance for Group II members vested by 1/1/12 (45 years of age with 20 years of service or age 60 regardless of years of creditable service) is the average final compensation multiplied by 2.5% multiplied by creditable service.

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

For Group II members not vested by 1/1/12 the benefit is calculated the same way but the multiplier used in the calculation will change depending on age and years of creditable service as follows:

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

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

Contributions - The System is financed by contributions from both the employees and the Town. Member contribution rates are established and may be amended by the State legislature while employer contribution rates are set by the System trustees based on an actuarial valuation. Group I (employee and teacher) members are required to contribute 7% of earnable compensation and Group II (police and fire) members contribute 11.55% and 11.80% respectively. For fiscal year 2020, the Town contributed 24.77% for police, 26.43% for fire and 10.88% for other employees. The contribution requirement for the fiscal year 2020 was \$101,038, which was paid in full.

Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions – At December 31, 2020 the Town reported a liability of \$3,102,416 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Town’s proportion of the net pension liability was based on a projection of the Town’s long-term share of contributions to the pension plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2020, the Town’s proportion was 0.05% which was an increase of 0.01% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Town recognized pension expense of \$433,484. At December 31, 2020 the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 157,587	\$ 161,232
Changes in assumptions	306,890	-
Net difference between projected and actual investment earnings on pension plan investments	191,888	-
Differences between expected and actual experience	83,780	33,311
Contributions subsequent to the measurement date	101,038	-
Total	<u>\$ 841,183</u>	<u>\$ 194,543</u>

The \$101,038 reported as deferred outflows of resources related to pensions results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Fiscal Year Ending December 31,	
2021	\$ 55,214
2022	124,728
2023	184,932
2024	180,728
Totals	<u>\$ 545,602</u>

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

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

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

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

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

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

Asset Class	Target Allocation	Weighted average long-term expected real rate of return <u>2020</u>
Large Cap Equities	22.50%	3.71%
Small/Mid Cap Equities	7.50%	4.15%
Total domestic equity	<u>30.00%</u>	
Int'l Equities (unhedged)	13.00%	3.96%
Emerging Int'l Equities	7.00%	6.20%
Total international equity	<u>20.00%</u>	
Core Bonds	9.00%	0.42%
Global Multi-Sector Fixed Income	10.00%	1.66%
Absolute Return Fixed Income	6.00%	0.92%
Total fixed income	<u>25.00%</u>	
Private equity	10.00%	7.71%
Private debt	5.00%	4.81%
Total alternative investments	<u>15.00%</u>	
Real estate	10.00%	2.95%
Total	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the collective total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the Pension Plan’s actuarial funding policy as required by RSA 100-A:16. Based on those assumptions, the Pension Plan’s fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on Pension Plan investment was applied to all periods of projected benefit payments to determine the collective total pension liability.

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

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate – The following table presents the Town's proportionate share of the net pension liability calculated using the discount rate of 6.75% as well as what the Town's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease 5.75%	Current Single Rate Assumption 6.75%	1% Increase 7.75%
June 30, 2020	\$ 4,016,366	\$ 3,102,416	\$ 2,355,598

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

NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

13-A New Hampshire Retirement System (NHRS)

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

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

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

Maximum medical subsidy rates paid during fiscal year 2020 were as follows:

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

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

Contributions – The OPEB Plan is funded by allocating to the 401(h) subtrust the lesser of: 25% of all employer contributions made in accordance with RSA 100-A:16 or the percentage of employer contributions determined by the actuary to be the minimum rate necessary to maintain the benefits provided under RSA 100-A:53-b, RSA 100-A:53-c, and RSA 100-A:53-d. For fiscal year 2018, the minimum rates determined by the actuary to maintain benefits were the lesser of the two options and were used to determine the employer contributions due to the 401(h) subtrust. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the OPEB Plan. Administrative costs are allocated to the OPEB Plan based on fund balances. For fiscal year 2020, the Town contributed 3.66% for police and fire, and 0.29% for other employees. The contribution requirement for the fiscal year 2020 was \$12,745, which was paid in full.

OPEB Liabilities, OPEB Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB – At December 31, 2020, the Town reported a liability of \$237,190 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was

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

determined by an actuarial valuation as of that date. The Town's proportion of the net OPEB liability was based on a projection of the Town's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating towns and school districts, actuarially determined. At June 30, 2020, the Town's proportion was 0.05% which was a decrease of 0.01% from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Town recognized OPEB expense of \$41,270. At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ -	\$ 2,134
Net difference between projected and actual investment earnings on OPEB plan investments	887	-
Changes in assumptions	1,525	-
Differences between expected and actual experience	-	687
Contributions subsequent to the measurement date	12,745	-
Total	\$ 15,157	\$ 2,821

The \$12,745 reported as deferred outflows of resources related to OPEB results from the Town contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Fiscal Year Ending December 31,	
2021	\$(1,229)
2022	263
2023	313
2024	244
Totals	\$ (409)

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

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

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

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

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

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

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

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

Discount Rate – The discount rate used to measure the total OPEB liability as of June 30, 2020 was 6.75%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and 100-A:53. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

Sensitivity of the Town’s Proportionate Share of the OPEB Liability to Changes in the Discount Rate – The following table presents the Town’s proportionate share of the OPEB liability calculated using the discount rate of 6.75% as well as what the Town’s proportionate share of the OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower (5.75%) or 1-percentage point higher (7.75%) than the current rate:

Actuarial Valuation Date	1% Decrease Rate Assumption 5.75%	Current Single Rate Assumption 6.75%	1% Increase Rate Assumption 7.75%
June 30, 2020	\$257,564	\$ 237,190	\$ 219,502

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

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

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

13-B Town of Northwood Retiree Health Benefit Program

Plan Description – GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, requires governments to account for other postemployment benefits (OPEB) on an accrual basis, rather than on a pay-as-you-go basis. The effect is the recognition of an actuarially determined expense on the Statement of Activities when a future retiree earns their postemployment benefits, rather than when they use their postemployment benefit. The postemployment benefit liability is recognized on the Statement of Net Position over time.

Benefits Provided – The Town provides postemployment healthcare benefits for certain eligible retirees. The Town provides medical benefits to its eligible retirees.

Employees Covered by Benefit Terms – At December 31, 2020, OPEB plan membership consisted of the following:

Inactive employees or beneficiaries currently receiving benefit payments	2
Active employees	20
Total participants covered by OPEB plan	22

Total OPEB Liability – The Town’s total OPEB liability of \$345,895 was measured as of January 1, 2019, and was determined by an actuarial valuation of that date.

Actuarial Assumptions and Other Inputs – The total OPEB liability of \$345,895 in the January 1, 2019, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate:	2.12%
Healthcare Cost Trend Rates:	
Current Year Trend	8.00%
Second Year Trend	7.50%
Decrement	0.50%
Ultimate Trend	3.90%
Year Ultimate Trend is Reached	2075
Salary Increases:	2.40%

The discount rate used to measure the total OPEB liability was 2.12%. The projection of cash flows used to determine the discount rate assumed that contributions from the Town will be made in accordance with the plan's funding policy. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be insufficient to make all projected benefit payments of current plan members. Therefore, the 2.12% municipal bond rate was applied to all periods to determine the total OPEB liability.

Pre-retirement mortality rates were based on the RP-2014 Employees Mortality Tables projected with generational mortality improvement using scale MP-2015 and RP-2014 Health Annuitant Mortality Tables projected with generational mortality improvement using scale MP-2015 for post-retirement mortality.

Changes in the Total OPEB Liability

	December 31,	
	2019	2020
OPEB liability beginning of year	\$ 325,978	\$ 307,410
Changes for the year:		
Service cost	15,429	17,485
Interest	13,820	8,769
Assumption changes and difference between actual and expected experience	(39,138)	21,977
Benefit payments	(8,679)	(9,746)
OPEB liability end of year	\$ 307,410	\$ 345,895

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

Sensitivity of the Town's OPEB Liability to Changes in the Discount Rate – The January 1, 2019 actuarial valuation was prepared using a discount rate of 2.12%. If the discount rate were 1% higher than what was used the OPEB liability would decrease to \$314,006. If the discount rate were 1% lower than what was used the OPEB liability would increase to \$382,274.

	Discount Rate		
	1% Decrease	Baseline 2.12%	1% Increase
Total OPEB Liability	<u>\$ 382,274</u>	<u>\$ 345,895</u>	<u>\$ 314,006</u>

Sensitivity of the Town's OPEB Liability to Changes in the Healthcare Cost Trend Rates – The January 1, 2019 actuarial valuation was prepared using an initial trend rate of 8.00%. If the trend rate were 1% higher than what was used the OPEB liability would increase to \$397,647. If the trend rate were 1% lower than what was used the OPEB liability would decrease to \$302,798.

	Healthcare Cost Trend Rates		
	1% Decrease	Baseline 8.00%	1% Increase
Total OPEB Liability	<u>\$ 302,798</u>	<u>\$ 345,895</u>	<u>\$ 397,647</u>

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB – For the year ended December 31, 2020, the Town recognized OPEB expense of \$19,884. At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	<u>\$ 52,155</u>	<u>\$ 12,167</u>
Differences between expected and actual experience	-	60,161
Total	<u>\$ 52,155</u>	<u>\$ 72,328</u>

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

Fiscal Year Ending December 31,	
2021	\$ (6,370)
2022	(6,370)
2023	(6,370)
2024	(4,221)
2025	2,619
Thereafter	539
Totals	<u>\$ (20,173)</u>

NOTE 14 – ENCUMBRANCES

The outstanding encumbrances are amounts needed to pay any commitments related to purchase orders and contracts that remain unperformed at December 31, 2020 and are as follows:

General fund:	
General government	\$ 51,299
Public safety	5,500
Highways and streets	53,000
Culture and recreation	7,390
Total encumbrances	<u>\$ 117,189</u>

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

NOTE 15 – GOVERNMENTAL ACTIVITIES AND FIDUCIARY FUNDS NET POSITION

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

	Governmental Activities	Fiduciary Funds
Net investment in capital assets:		
Net book value, all capital assets	\$ 6,241,841	\$ -
Less:		
Capital leases payable	(334,041)	-
Total net investment in capital assets	<u>5,907,800</u>	<u>-</u>
Restricted net position:		
Perpetual care - nonexpendable	399,434	-
Perpetual care - income balance	125,864	-
Library	7,899	-
Tax dedeed property	246,202	-
Other	-	694,721
Total restricted net position	<u>779,399</u>	<u>694,721</u>
Unrestricted	<u>1,658,986</u>	<u>-</u>
Total net position	<u>\$ 8,346,185</u>	<u>\$ 694,721</u>

NOTE 16 – GOVERNMENTAL FUND BALANCES

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

	General Fund	Nonmajor Funds	Total Governmental Funds
Nonspendable:			
Tax dedeed property	\$ 246,202	\$ -	\$ 246,202
Permanent fund - principal balance	-	399,434	399,434
Total nonspendable fund balance	<u>246,202</u>	<u>399,434</u>	<u>645,636</u>
Restricted:			
Library	7,899	-	7,899
Permanent - income balance	-	125,864	125,864
Total restricted fund balance	<u>7,899</u>	<u>125,864</u>	<u>133,763</u>
Committed:			
Expendable trust	756,826	-	756,826
Special revenue funds	-	899,990	899,990
Total committed fund balance	<u>756,826</u>	<u>899,990</u>	<u>1,656,816</u>
Assigned:			
Encumbrances	117,189	-	117,189
Unassigned	<u>2,998,117</u>	<u>-</u>	<u>2,998,117</u>
Total governmental fund balances	<u>\$ 4,126,233</u>	<u>\$ 1,425,288</u>	<u>\$ 5,551,521</u>

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

NOTE 17 – PRIOR PERIOD ADJUSTMENT

Net position/fund balance at January 1, 2020 was restated to give retroactive effect to the following prior period adjustment:

	Government-wide Statements	Other Governmental Funds
To restate for prior year interfund not correctly recorded	\$ 7,200	\$ 7,200
Net position/fund balance, as previously reported	6,914,289	1,335,428
Net position/fund balance, as restated	\$ 6,921,489	\$ 1,342,628

NOTE 18 – RISK MANAGEMENT

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or natural disasters. During fiscal year 2020, the Town was a member of the New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs.

The New Hampshire Public Risk Management Exchange (Primex³) Workers' Compensation and Property/Liability Programs are pooled risk management programs under RSAs 5-B and 281-A. Coverage was provided from January 1, 2020 to December 31, 2020 by Primex³, which retained \$1,000,000 of each workers' compensation loss, \$500,000 of each liability loss, and \$200,000 of each property loss. The Board has decided to self-insure the aggregate exposure and has allocated funds based on actuarial analysis for that purpose. The workers' compensation section of the self-insurance membership agreement permits Primex³ to make additional assessments to members should there be a deficiency in contributions for any member year, not to exceed the member's annual contribution. GASB Statement No. 10 requires members of a pool with a sharing risk to disclose if such an assessment is probable, and a reasonable estimate of the amount, if any. In 2020 the Town paid \$45,927 and \$42,042, respectively, to Primex for property, liability, and worker's compensation. At this time, Primex³ foresees no likelihood of any additional assessment for this or any prior year.

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

NOTE 19 – COVID-19

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

On March 27, 2020, the United States Federal Government established the Coronavirus Aid, Relief and Economic Security (CARES) Act in response to the economic downfall caused by the COVID-19 pandemic. This Act requires that the payment from these funds be used only to cover expenses that; are necessary expenditures incurred due to the public health emergency with respect to COVID-19; were not accounted for in the budget approved for 2020; and were incurred during the period that begins on March 1, 2020 and ends on December 31, 2020. The Town was awarded a portion of this federal funding totaling \$146,938. In addition to funding from the CARES Act, there are several other federal and state grants available.

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

NOTE 20 – TAX ABATEMENTS

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

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

NOTE 21 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Nonrecognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date. Management has evaluated subsequent events through July 20, 2021, the date the December 31, 2020 financial statements were available to be issued, and no events occurred that requires recognition or disclosure.

REQUIRED SUPPLEMENTARY INFORMATION

EXHIBIT F
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of Net Pension Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2020

	December 31,							
	2013	2014	2015	2016	2017	2018	2019	2020
Town's proportion of the net pension liability	0.05%	0.05%	0.05%	0.05%	0.05%	0.05%	0.04%	0.05%
Town's proportionate share of the net pension liability	\$ 2,146,887	\$ 1,922,913	\$ 2,035,204	\$ 2,885,807	\$ 2,560,745	\$ 2,200,518	\$ 2,136,124	\$ 3,102,416
Town's covered payroll	\$ 824,686	\$ 852,611	\$ 885,212	\$ 989,590	\$ 1,587,143	\$ 912,799	\$ 956,480	\$ 926,810
Town's proportionate share of the net pension liability as a percentage of its covered payroll	260.33%	225.53%	229.91%	291.62%	161.34%	241.07%	223.33%	334.74%
Plan fiduciary net position as a percentage of the total pension liability	59.81%	66.32%	65.47%	58.30%	62.66%	64.73%	65.59%	58.72%

EXHIBIT G
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Schedule of Town Contributions - Pensions
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2020

	December 31,							
	2013	2014	2015	2016	2017	2018	2019	2020
Contractually required contribution	\$ 143,523	\$ 169,515	\$ 184,539	\$ 194,326	\$ 190,751	\$ 193,152	\$ 193,198	\$ 215,477
Contributions in relation to the contractually required contributions	(143,523)	(169,515)	(184,539)	(194,326)	(190,751)	(193,152)	(193,198)	(215,477)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	<u>\$ 824,686</u>	<u>\$ 852,611</u>	<u>\$ 885,212</u>	<u>\$ 989,590</u>	<u>\$ 1,587,143</u>	<u>\$ 912,799</u>	<u>\$ 956,480</u>	<u>\$ 926,810</u>
Contributions as a percentage of covered payroll	17.40%	19.88%	20.85%	19.64%	12.02%	21.16%	20.20%	23.25%

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

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

As required by GASB Statement No. 68, and as amended by GASB Statement No. 71, Exhibits F and G represent the actuarial determined costs associated with the Town’s pension plan at December 31, 2020. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year 2020:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	20 years beginning July 1, 2019 (30 years beginning July 1, 2009)
Asset Valuation Method	5-year smooth market for funding purposes: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year (3.00% for teachers) in the 2017 valuation
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.45% per year
Investment Rate of Return	7.25% per year, net of investment expenses, including inflation
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Based on the 2010-215 experience study.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the 2010-2015 experience study.

Other Information:

Notes	The board has adopted new assumptions based on the 2015-2019 experience study effective for employer contributions in the 2022-23 biennium.
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EXHIBIT H
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Schedule of the Town's Proportionate Share of the Net Other Postemployment Benefit Plan Liability
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2020

	December 31,				
	2016	2017	2018	2019	2020
Town's proportion of the net OPEB liability	0.05%	0.05%	0.06%	0.06%	0.05%
Town's proportionate share of the net OPEB liability	\$ 229,163	\$ 208,567	\$ 271,377	\$ 254,722	\$ 237,190
Town's covered payroll	\$ 989,590	\$ 1,587,143	\$ 912,799	\$ 956,480	\$ 926,810
Town's proportionate share of the net OPEB liability as a percentage of its covered payroll	23.16%	13.14%	29.73%	26.63%	25.59%
Plan fiduciary net position as a percentage of the total OPEB liability	5.21%	7.91%	7.53%	7.75%	7.74%

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

EXHIBIT I
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Schedule of Town Contributions - Other Postemployment Benefits
New Hampshire Retirement System Cost Sharing Multiple Employer Defined Benefit Plan
For the Fiscal Year Ended December 31, 2020

	December 31,				
	2016	2017	2018	2019	2020
Contractually required contribution	\$ 27,506	\$ 27,036	\$ 26,218	\$ 26,515	\$ 25,153
Contributions in relation to the contractually required contribution	(27,506)	(27,036)	(26,218)	(26,515)	(25,153)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Town's covered payroll	\$ 989,590	\$ 1,587,143	\$ 912,799	\$ 956,480	\$ 926,810
Contributions as a percentage of covered payroll	2.78%	1.70%	2.87%	2.77%	2.71%

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

EXHIBIT J
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Schedule of Changes in the Town's Total Other Postemployment Benefits Liability and Related Ratios
Retiree Health Benefit Program
For the Fiscal Year Ended December 31, 2020

	December 31.		
	2018	2019	2020
OPEB liability, beginning of year	\$ 325,539	\$ 325,978	\$ 307,410
Changes for the year:			
Service cost	16,409	15,429	17,485
Interest	11,681	13,820	8,769
Assumption changes and difference between actual and expected experience	(22,904)	(39,138)	21,977
Benefit payments	(4,747)	(8,679)	(9,746)
OPEB liability, end of year	<u>\$ 325,978</u>	<u>\$ 307,410</u>	<u>\$ 345,895</u>
Covered payroll	<u>\$ 686,524</u>	<u>\$ 861,973</u>	<u>\$ 942,320</u>
Total OPEB liability as a percentage of covered payroll	47.48%	35.66%	36.71%

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

TOWN OF NORTHWOOD, NEW HAMPSHIRE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION –
OTHER POSTEMPLOYMENT BENEFIT LIABILITY
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2020

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

As required by GASB Statement No. 75, Exhibits H and I represent the actuarial determined costs associated with the Town’s other postemployment benefits at December 31, 2020. These schedules are presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

The following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Reduced the wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2.0%
- Updated economic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables).

Methods and Assumptions:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage-of-Payroll, Closed
Remaining Amortization Period	Not applicable under statutory funding
Asset Valuation Method	5-year smooth market: 20% corridor
Price Inflation	2.5% per year
Wage Inflation	3.25% per year (3.00% for teachers) in the 2017 valuation
Salary Increases	5.6% Average, including inflation
Municipal Bond Rate	2.45% per year
Investment Rate of Return	7.25% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions
Funding Discount Rate	3.25% per year
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Based on the 2010-2015 experience study.
Mortality	RP-2014 Healthy Annuitant and Employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the 2010-2015 experience study.

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

As required by GASB Statement No. 75, Exhibit J represents the actuarial determined costs associated with the Town’s other postemployment benefits at December 31, 2020. The schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information is presented for those years for which information is available.

COMBINING AND INDIVIDUAL FUND SCHEDULES

SCHEDULE 1
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Major General Fund
Schedule of Estimated and Actual Revenues (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2020

	Estimated	Actual	Variance Positive (Negative)
Taxes:			
Property	\$ 2,685,606	\$ 2,688,555	\$ 2,949
Land use change	15,000	22,725	7,725
Yield	3,600	3,680	80
Excavation	350	136	(214)
Payment in lieu of taxes	9,643	20,962	11,319
Interest and penalties on taxes	100,000	96,809	(3,191)
Total from taxes	<u>2,814,199</u>	<u>2,832,867</u>	<u>18,668</u>
Licenses, permits, and fees:			
Business licenses, permits, and fees	5,000	-	(5,000)
Motor vehicle permit fees	850,000	981,622	131,622
Building permits	20,000	40,889	20,889
Other	75,000	81,254	6,254
Total from licenses, permits, and fees	<u>950,000</u>	<u>1,103,765</u>	<u>153,765</u>
Intergovernmental:			
State:			
Shared revenues	42,188	42,188	-
Meals and rooms distribution	217,592	217,592	-
Highway block grant	103,200	103,189	(11)
State and federal forest land reimbursement	318	951	633
Other	-	338,573	338,573
Federal:			
FEMA	230,810	230,810	-
Total from intergovernmental	<u>594,108</u>	<u>933,303</u>	<u>339,195</u>
Charges for services:			
Income from departments	50,000	70,236	20,236
Miscellaneous:			
Sale of municipal property	25,000	35,005	10,005
Interest on investments	3,000	4,141	1,141
Other	3,800	87,087	83,287
Total from miscellaneous	<u>31,800</u>	<u>126,233</u>	<u>94,433</u>
Other financing sources:			
Transfers in	413,875	153,875	(260,000)
Total revenues and other financing sources	4,853,982	<u>\$ 5,220,279</u>	<u>\$ 366,297</u>
Amounts voted from fund balance	79,505		
Total revenues, other financing sources, and use of fund balance	<u>\$ 4,933,487</u>		

SCHEDULE 2
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2020

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Current:					
General government:					
Executive	\$ 16,160	\$ 267,398	\$ 369,433	\$ -	\$ (85,875)
Election and registration	-	10,878	17,220	14,442	(20,784)
Financial administration	-	292,433	297,314	-	(4,881)
Legal	-	15,001	13,404	-	1,597
Personnel administration	28,000	350,087	232,671	28,000	117,416
Planning and zoning	-	41,790	35,545	8,857	(2,612)
General government buildings	-	57,956	66,278	-	(8,322)
Cemeteries	-	3,100	2,683	-	417
Insurance, not otherwise allocated	-	56,401	45,927	-	10,474
Other	-	2,253	-	-	2,253
Total general government	44,160	1,097,297	1,080,475	51,299	9,683
Public safety:					
Police	-	806,270	764,516	5,500	36,254
Fire	-	795,630	763,537	-	32,093
Building inspection	-	34,156	33,609	-	547
Emergency management	-	2,922	292	-	2,630
Total public safety	-	1,638,978	1,561,954	5,500	71,524
Highways and streets:					
Administration	-	189,793	135,866	-	53,927
Highways and streets	-	458,314	154,817	53,000	250,497
Street lighting	-	1	-	-	1
Total highways and streets	-	648,108	290,683	53,000	304,425
Sanitation:					
Administration	-	72,577	67,557	-	5,020
Solid waste disposal	-	96,100	177,192	-	(81,092)
Total sanitation	-	168,677	244,749	-	(76,072)
Health:					
Administration	-	8,388	84	-	8,304
Pest control	-	14,356	7,041	-	7,315
Health agencies	-	30,293	20,018	-	10,275
Total health	-	53,037	27,143	-	25,894
Welfare:					
Administration and direct assistance	-	16,259	3,545	-	12,714
Vendor payments and other	-	9,501	6,936	-	2,565
Total welfare	-	25,760	10,481	-	15,279
Culture and recreation:					
Parks and recreation	-	67,154	26,089	-	41,065
Library	-	206,233	175,271	7,390	23,572
Patriotic purposes	-	1,800	-	-	1,800
Other	-	1,001	1,500	-	(499)
Total culture and recreation	-	276,188	202,860	7,390	65,938
Conservation	-	3,552	981	-	2,571
Economic development	-	604	-	-	604
Debt service:					
Interest on tax anticipation notes	-	1	-	-	1

(Continued)

SCHEDULE 2 (Continued)
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Major General Fund
Schedule of Appropriations, Expenditures, and Encumbrances (Non-GAAP Budgetary Basis)
For the Fiscal Year Ended December 31, 2020

	Encumbered from Prior Year	Appropriations	Expenditures	Encumbered to Subsequent Year	Variance Positive (Negative)
Capital outlay	-	839,404	1,092,879	-	(253,475)
Other financing uses:					
Transfers out	-	181,881	181,881	-	-
Total appropriations, expenditures, other financing uses, and encumbrances	\$ 44,160	\$ 4,933,487	\$ 4,694,086	\$ 117,189	\$ 166,372

SCHEDULE 3
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Major General Fund
Schedule of Changes in Unassigned Fund Balance
For the Fiscal Year Ended December 31, 2020

Unassigned fund balance, beginning (Non-GAAP Budgetary Basis)		\$2,015,955
Changes:		
Amounts voted from fund balance		(79,505)
2020 Budget summary:		
Revenue surplus (Schedule 1)	\$ 366,297	
Unexpended balance of appropriations (Schedule 2)	<u>166,372</u>	
2020 Budget surplus		532,669
Decrease in nonspendable fund balance		11,603
Decrease in committed fund balance		<u>539,532</u>
Unassigned fund balance, ending (Non-GAAP Budgetary Basis)		3,020,254
<i>Reconciliation on Non-GAAP Budgetary Basis to GAAP Basis</i>		
To record deferred property taxes not collected within 60 days of the fiscal year-end, not recognized on a budgetary basis		(187,137)
Elimination of the allowance for uncollectible taxes		<u>165,000</u>
Unassigned fund balance, ending, GAAP basis (Exhibit C-1)		<u><u>\$2,998,117</u></u>

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

	Special Revenue Funds							Total
	Conservation Commission	Recreation Revolving	Lagoon Fees	Forest Maintenance	Ambulance Replacement	Police Special Details	Permanent Fund	
ASSETS								
Cash and cash equivalents	\$ 105,856	\$ 23,627	\$ 5,682	\$ 3,527	\$ 579,044	\$ 53,625	\$ 527,598	\$ 1,298,959
Accounts receivable (net)	-	-	-	-	68,011	44,371	-	112,382
Interfund receivable	26,865	-	-	-	-	-	-	26,865
Total assets	\$ 132,721	\$ 23,627	\$ 5,682	\$ 3,527	\$ 647,055	\$ 97,996	\$ 527,598	\$ 1,438,206
LIABILITIES								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 9,270	\$ -	\$ -	\$ 9,270
Interfund payable	-	-	-	-	1,348	-	2,300	3,648
Total liabilities	-	-	-	-	10,618	-	2,300	12,918
FUND BALANCES								
Nonspendable	-	-	-	-	-	-	399,434	399,434
Restricted	-	-	-	-	-	-	125,864	125,864
Committed	132,721	23,627	5,682	3,527	636,437	97,996	-	899,990
Total fund balances	132,721	23,627	5,682	3,527	636,437	97,996	525,298	1,425,288
Total liabilities and fund balances	\$ 132,721	\$ 23,627	\$ 5,682	\$ 3,527	\$ 647,055	\$ 97,996	\$ 527,598	\$ 1,438,206

SCHEDULE 5
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Nonmajor Governmental Funds
Combining Schedule of Revenues, Expenditures, and Changes in Fund Balances
For the Fiscal Year Ended December 31, 2020

	Special Revenue Funds						Permanent Fund	Total
	Conservation Commission	Recreation Revolving	Lagoon Fees	Forest Maintenance	Ambulance Replacement	Special Details		
REVENUES								
Taxes	\$ 22,725	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 22,725
Charges for services	-	5,453	4,250	-	148,103	64,237	-	222,043
Miscellaneous	401	84	45	14	3,606	368	7,810	12,328
Total revenues	<u>23,126</u>	<u>5,537</u>	<u>4,295</u>	<u>14</u>	<u>151,709</u>	<u>64,605</u>	<u>7,810</u>	<u>257,096</u>
EXPENDITURES								
Current:								
General government	-	-	-	-	-	-	10,243	10,243
Public safety	-	-	-	-	86,505	55,837	-	142,342
Culture and recreation	-	7,976	-	-	-	-	-	7,976
Total expenditures	<u>-</u>	<u>7,976</u>	<u>-</u>	<u>-</u>	<u>86,505</u>	<u>55,837</u>	<u>10,243</u>	<u>160,561</u>
Excess (deficiency) of revenues over (under) expenditures	<u>23,126</u>	<u>(2,439)</u>	<u>4,295</u>	<u>14</u>	<u>65,204</u>	<u>8,768</u>	<u>(2,433)</u>	<u>96,535</u>
OTHER FINANCING USES								
Transfers out	-	-	(13,875)	-	-	-	-	(13,875)
Net change in fund balances	23,126	(2,439)	(9,580)	14	65,204	8,768	(2,433)	82,660
Fund balances, beginning, as restated (see Note 17)	109,595	26,066	15,262	3,513	571,233	89,228	527,731	1,342,628
Fund balances, ending	<u>\$ 132,721</u>	<u>\$ 23,627</u>	<u>\$ 5,682</u>	<u>\$ 3,527</u>	<u>\$ 636,437</u>	<u>\$ 97,996</u>	<u>\$ 525,298</u>	<u>\$ 1,425,288</u>

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

	Custodial Funds			Total
	Taxes	Trust Funds	Other Custodial	
ASSETS				
Cash and cash equivalents	\$ 2,242,611	\$ 640,507	\$ 12,569	\$ 2,895,687
LIABILITIES				
Due to school district	2,242,611	-	-	2,242,611
NET POSITION				
Restricted	\$ -	\$ 640,507	\$ 12,569	\$ 653,076

SCHEDULE 7
TOWN OF NORTHWOOD, NEW HAMPSHIRE
Custodial Funds
Combining Schedule of Changes in Fiduciary Net Position
For the Fiscal Year Ended December 31, 2020

	Custodial Funds			Total
	Taxes	Trust Funds	Other Custodial	
Additions:				
Contributions	\$ -	\$ 37,200	\$ 16,789	\$ 53,989
Investment earnings	-	3,134	55	3,189
Tax collections for other governments	9,257,970	-	-	9,257,970
Total additions	<u>9,257,970</u>	<u>40,334</u>	<u>16,844</u>	<u>9,315,148</u>
Deductions:				
Payments to water and village districts	-	17,579	-	17,579
Payments of taxes to other governments	9,257,970	-	-	9,257,970
Payments for escrow purposes	-	-	17,162	17,162
Total deductions	<u>9,257,970</u>	<u>17,579</u>	<u>17,162</u>	<u>9,292,711</u>
Change in net position	-	22,755	(318)	22,437
Net position, beginning	-	617,752	12,887	630,639
Net position, ending	<u>\$ -</u>	<u>\$ 640,507</u>	<u>\$ 12,569</u>	<u>\$ 653,076</u>