

TOWN OF GILFORD, NEW HAMPSHIRE

Financial Statements

December 31, 2021

and

Independent Auditor's Report

TOWN OF GILFORD, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2021

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INDEPENDENT AUDITOR’S REPORT

To the Board of Selectmen
Town of Gilford, New Hampshire

Adverse and Unmodified Opinions

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

Summary of Opinions

<u>Opinion Unit</u>	<u>Type of Opinion</u>
Governmental Activities	Adverse
General Fund	Unmodified
Aggregate Remaining Fund Information	Unmodified

Adverse Opinion on Governmental Activities

In our opinion, because of the significance of the matters discussed in the Basis for Adverse and Unmodified Opinions section of our report, the financial statements referred to above do not present fairly the financial position of the governmental activities of the Town of Gilford, New Hampshire, as of December 31, 2021, or the changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions on Each Major Fund and Aggregate Remaining Fund Information

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

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor’s Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Gilford, New Hampshire, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on Governmental Activities

As discussed in Note 2 to the financial statements, management has not recorded a liability, deferred outflows of resources, or deferred inflows of resources for the Town of Gilford, New Hampshire's single employer other post-employment benefits plan in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other postemployment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the deferred outflows of resources, liabilities, and deferred inflows of resources, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect the deferred outflows of resources, liabilities, deferred inflows of resources, net position, and expenses of the governmental activities is not reasonably determinable.

Responsibilities of Management 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Gilford, New Hampshire's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Gilford, New Hampshire's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town of Gilford, New Hampshire's basic financial statements. The combining nonmajor governmental fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining nonmajor governmental fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Vachon Clukay & Company PC

Manchester, New Hampshire
October 4, 2022

**TOWN OF GILFORD, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2021**

Presented here is the Management Discussion & Analysis Report for the Town of Gilford, NH, for the year ending December 31, 2021. Responsibility for both the accuracy of the data, and the completeness and fairness of this presentation (including all disclosures) rests with the Board of Selectmen. To the best of our knowledge and belief, the data contained herein is accurate in all material respects. We report this data in a manner designed to present fairly the Town's financial position and the results of operations of the various Town funds. All disclosures necessary to enable the reader to gain an accurate understanding of the Town's financial activities have been included.

The Board of Selectmen are responsible for establishing an accounting and internal control structure designed to ensure that the physical, data, informational, intellectual, and human resource assets of the Town are protected from loss, theft, and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). The Board of Selectmen also strives to put these assets to good and effective use. We designed the Town's internal control structure to provide reasonable assurances that we attain these objectives.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the Town of Gilford, New Hampshire using the integrated approach prescribed by GASB Statement 34.

It is our intention that this discussion and analysis serve as an introduction to the Town's financial statements. The financial statements are comprised of the following three components:

1. Government-Wide Financial Statements
2. Fund Financial Statements
3. Notes to the Basic Financial Statements

Government-wide Financial Statements

The government-wide financial statements provide readers with a broad overview of the Town's finances, in a manner similar to most private-sector companies.

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

The Statement of Activities presents information showing how the Town's net position changed during the most recent year. We take all of the current year's revenues and expenses into account regardless of when we receive cash in or pay cash out.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. One can divide all the funds of the Town into two categories: governmental funds and fiduciary funds.

**TOWN OF GILFORD, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between the governmental activities Statement of Net Position and Statement of Activities.

The Town maintains numerous individual governmental funds. We present information separately in the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances for the General Fund, the Town's only major fund. We combine data from all other governmental funds into a single, aggregate presentation.

The Town adopts an annual appropriation budget for its governmental funds. We provide a budgetary comparison for the General Fund to demonstrate compliance with this budget.

Fiduciary funds are used to account for resources held for the benefit of parties other than the Town. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the programs of the Town of Gilford. The Town's fiduciary funds consist of custodial funds.

Notes to the Basic Financial Statements

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

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the General Fund, the Town's only major governmental fund, and includes reconciliation between the statutory fund balance for budgetary purposes and the fund balance as presented in the governmental fund financial statements. Also, as required, this section also includes a schedule of changes in the Town's proportionate share of the net OPEB liability, schedule of Town OPEB contributions, schedule of changes in the Town's proportionate share of the net pension liability, and schedule of Town pension contributions.

Other Supplementary Information

Other supplementary information includes combining financial statements for nonmajor governmental funds.

**TOWN OF GILFORD, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2021**

Government-Wide Financial Analysis

Statement of Net position

Net position of the Town of Gilford as of December 31, 2021 and 2020, is as follows:

	<u>2021</u>	<u>2020</u>
Capital assets, net	\$ 30,131,477	\$ 30,355,355
Other assets	12,947,426	12,090,373
Total Assets	<u>43,078,903</u>	<u>42,445,728</u>
Total Deferred Outflows of Resources	<u>2,308,342</u>	<u>2,860,877</u>
Long-term liabilities	12,662,948	15,832,075
Other liabilities	807,876	1,206,955
Total Liabilities	<u>13,470,824</u>	<u>17,039,030</u>
Total Deferred Inflows of Resources	<u>3,176,443</u>	<u>881,307</u>
Net Position:		
Net investment in capital assets	27,644,103	27,345,343
Restricted	1,134,635	1,037,008
Unrestricted	<u>(38,760)</u>	<u>(996,083)</u>
Total Net Position	<u>\$ 28,739,978</u>	<u>\$ 27,386,268</u>

Statement of Activities

Changes in net position for the years ending December 31, 2021 and 2020, are as follows:

	<u>2021</u>	<u>2020</u>
Revenues		
Program revenues:		
Charges for services	\$ 2,009,993	\$ 1,531,389
Operating grants and contributions	434,644	543,333
Capital grants and contributions	-	1,025,374
General revenues:		
Property and other taxes	10,280,884	9,884,121
Licenses and permits	2,508,916	2,335,985
Grants and contributions	533,807	456,323
Interest and investment earnings	124,893	227,378
Miscellaneous	<u>383,948</u>	<u>289,221</u>
Total revenues	<u>16,277,085</u>	<u>16,293,124</u>

**TOWN OF GILFORD, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2021**

Expenses		
General government	2,642,755	2,744,809
Public safety	5,612,815	6,154,115
Highways and streets	3,676,000	3,889,853
Sanitation	1,586,406	1,435,163
Water distribution and treatment	182,939	-
Health and welfare	81,536	74,866
Culture and recreation	908,958	985,164
Conservation	56,135	52,131
Economic development	25,188	36,795
Interest and fiscal charges	77,933	89,809
Total expenses	<u>14,850,665</u>	<u>15,462,705</u>
Increase in net position before contributions to permanent fund principal and loss on disposals	1,426,420	830,419
Contributions to permanent fund principal	5,150	6,575
Loss on disposal of capital assets	<u>(77,860)</u>	<u>(75,528)</u>
Increase in net position	1,353,710	761,466
Net Position, beginning of year	<u>27,386,268</u>	<u>26,624,802</u>
Net Position, end of year	<u>\$ 28,739,978</u>	<u>\$ 27,386,268</u>

Town of Gilford Activities

As shown in the above statement, there was an increase in the Town's total net position of \$1,353,710. This increase is primarily attributable to full accrual basis revenues in excess of expenses, which includes an increase in charges for services and vehicle registrations. In addition, the Town realized savings in all expenditure functions, with the exception of sanitation.

The General Fund ended the year with an unassigned fund balance of \$4,767,907 or 33% of total general fund expenditures. This represents a decrease in unassigned fund balance of (\$140,186) from last year. The decrease is largely due to the Town increasing the amount of fund balance to be assigned to offset the next fiscal year's budget, as well as an increase in prepayments on subsequent year expenditures.

Total fund balance of the Nonmajor Governmental Funds experienced a modest decrease of (\$25,617) from the prior year. Activity based increases to fund balance were realized in all Nonmajor Governmental Funds, except for the Ambulance Revolving Fund due to an approved transfer out.

Basis for Adverse Opinion on Governmental Activities: Management Response

Town management has decided that the material measurement of single employer OPEB liability, as referenced in Note 2 to the basic financial statements, is not worth the costs associated with conducting such studies. Management of the Town has opined that the requirement of this GASB mandate is superfluous, irrelevant, and compliance would generate a wasteful expenditure of tax dollars which the Town does not intend to complete. Furthermore, the Town estimates the annual impact of other post-

**TOWN OF GILFORD, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2021**

employment benefits for its single employer plan constitutes a negligible amount of money in terms of the Town's financial position.

General Fund Budgetary Highlights

During the year, the original budget for appropriations decreased by (\$238,623) due to carryforward appropriations into the subsequent year. Additionally, budgets for both appropriations and revenues increased by offsetting amounts for unanticipated revenues received from several outside sources totaling \$534,204. The Town under expended its total 2021 budget by \$551,060. Savings were realized in all functions with the exception of slight over-expending in sanitation. Actual revenues were greater than budgeted by \$232,041. This was primarily a result of the increase seen in motor vehicle registration revenue. The unassigned budgetary fund balance of the General Fund at year end was \$5,160,613, a decrease of (\$251,229) from the prior year balance. As noted previously in the above, the decrease is largely due to the Town assigning a larger portion of unrestricted fund balance to offset subsequent year appropriations in the current year.

Capital Assets

The Town of Gilford considers a capital asset to be an asset whose cost exceeds \$50,000 and which has a useful life of greater than one (1) year. The Town depreciates its assets using the straight-line method over the course of their estimated useful life beginning in the year of acquisition.

The total investment in capital assets for governmental activities at year end amounted to \$30,131,477 (net of accumulated depreciation), a decrease of (\$223,878) primarily due to depreciation in excess of current year additions and disposal of an asset for a loss in the current year. This investment in capital assets includes land, intangible assets, buildings and improvements, vehicles and equipment, and infrastructure.

Significant capital asset events during the current fiscal year included the purchase of an ambulance, communications upgrade project and DPW Trucks, as well as disposal of older vehicles and equipment.

Additional information on capital assets can be found in Note 4 of the Basic Financial Statements.

Long-term Liabilities

At the end of the current year, total debt outstanding was \$2,103,642 and capital leases payable was \$383,732. During the year ended 2021, outstanding general obligation debt decreased by scheduled payments made on existing obligations of (\$247,532) and amortization of a related bond premium of (\$5,465). Total outstanding capital leases payable had a net decrease of (\$269,642) as a result of a new vehicle lease addition, and scheduled principal payments of (\$323,186).

The Town's other long-term obligations consist of compensated absences payable which had a net increase in liability of \$3,190 for the year ended December 31, 2021.

Under GASB Statement #75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the Town reports a net OPEB liability for its cost-sharing multiple employer plan, as well as the related deferred outflows and inflows of resources related to OPEB. The Town's portion of the unfunded OPEB liability as of December 31, 2021 is \$838,836.

**TOWN OF GILFORD, NEW HAMPSHIRE
MANAGEMENT’S DISCUSSION AND ANALYSIS
YEAR ENDING DECEMBER 31, 2021**

Under GASB Statement #68 – *Accounting and Financial Reporting for Pensions*, the Town reports a net pension liability for its cost-sharing multiple employer plan, as well as the related deferred outflows and inflows of resources related to pension. The Town’s portion of the unfunded pension liability as of December 31, 2021 is \$8,903,692.

See Notes 5, 6 and 7 of the Basic Financial Statements for additional information on outstanding long-term liabilities.

Economic Factors, Rates and 2021 Budget

The NH Department of Revenue Administration (DRA) sets the Annual Tax Rate for the Town of Gilford. They do so based upon the Annual Budget approved at Town Meeting adjusted for actual revenues and expenditures throughout the year. The Town collects property taxes to fund its own operations and that of School Administrative Unit #73. The property tax also pays the levy placed on the Town by Belknap County and the State of New Hampshire in the State-wide Property Tax for Education. The Town bills for property taxes semi-annually. Tax billing occurs according to the laws of the State of New Hampshire, under the supervision of the DRA. The first billing is an estimate based on the previous year’s tax rate applied to the current year’s assessments. The second billing utilizes the correct tax rate for the year as established by the New Hampshire DRA applied to the current year’s assessment. Following is a comparison of the 2021 tax rates to the 2020 tax rates:

	<u>2021</u>	<u>2020</u>
Town rate	\$4.05	\$4.65
Local school rate	5.89	7.42
State school rate	1.51	1.84
County rate	<u>0.84</u>	<u>1.12</u>
Total rate	<u>\$12.28</u>	<u>\$15.03</u>
Assessed value (in thousands)	\$2,583,564,870	\$2,149,486,818

The Town of Gilford works to a 6-year Capital Improvement Plan. The plan contains current capital needs projections through the year 2026. The Capital Improvements Plan Committee annually reviews, adjusts and updates this plan. The resulting plan receives final review and approval through the presentation and discussion of proposed projects at public meetings and is presented to the Board of Selectmen and Budget Committee as a budget development tool.

Contacting the Town of Gilford’s Board of Selectmen or Staff

This financial report provides our citizens and creditors with a general overview of the Town of Gilford’s finances. It demonstrates accountability for the funds the Town receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department or the Board of Selectmen, at 47 Cherry Valley Road, Gilford, NH 03249 and telephone number (603) 527-4700.

EXHIBIT A
TOWN OF GILFORD, NEW HAMPSHIRE
Statement of Net Position
December 31, 2021

	Governmental <u>Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 9,886,640
Investments	1,474,510
Taxes receivable, net	945,398
Accounts receivable, net	373,379
Due from other governments	129,834
Special assessments	4,487
Prepaid items	<u>133,178</u>
Total Current Assets	<u>12,947,426</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	13,352,814
Depreciable capital assets, net	<u>16,778,663</u>
Total Noncurrent Assets	<u>30,131,477</u>
Total Assets	<u>43,078,903</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to OPEB	48,638
Deferred outflows of resources related to pensions	<u>2,259,704</u>
Total Deferred Outflows of Resources	<u>2,308,342</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	356,051
Accrued liabilities	238,773
Retainage payable	25,967
Advances from grantors	187,085
Current portion of bonds payable	50,000
Current portion of notes payable	204,363
Current portion of capital leases payable	125,373
Current portion of compensated absences payable	<u>21,652</u>
Total Current Liabilities	<u>1,209,264</u>
Noncurrent Liabilities:	
Bonds payable	827,629
Notes payable	1,021,650
Capital leases payable	258,359
Compensated absences payable	411,394
OPEB liability	838,836
Net pension liability	<u>8,903,692</u>
Total Noncurrent Liabilities	<u>12,261,560</u>
Total Liabilities	<u>13,470,824</u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes collected in advance	184,532
Deferred inflows of resources related to OPEB	10,654
Deferred inflows of resources related to pensions	<u>2,981,257</u>
Total Deferred Inflows of Resources	<u>3,176,443</u>
NET POSITION	
Net investment in capital assets	27,644,103
Restricted	1,134,635
Unrestricted (deficit)	<u>(38,760)</u>
Total Net Position	<u>\$ 28,739,978</u>

See accompanying notes to the basic financial statements

EXHIBIT B
TOWN OF GILFORD, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2021

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental Activities:				
General government	\$ 2,642,755	\$ 90,170	\$ 12,591	\$ (2,539,994)
Public safety	5,612,815	779,530	10,989	(4,822,296)
Highways and streets	3,676,000	8,609	219,539	(3,447,852)
Sanitation	1,586,406	1,088,151	14,133	(484,122)
Water distribution and treatment	182,939		177,392	(5,547)
Health and welfare	81,536			(81,536)
Culture and recreation	908,958	43,533		(865,425)
Conservation	56,135			(56,135)
Economic development	25,188			(25,188)
Interest and fiscal charges	77,933			(77,933)
Total governmental activities	<u>\$ 14,850,665</u>	<u>\$ 2,009,993</u>	<u>\$ 434,644</u>	<u>(12,406,028)</u>
General revenues:				
Property and other taxes				10,280,884
Licenses and permits				2,508,916
Grants and contributions:				
Rooms and meals tax distribution				533,241
State and federal forest land				566
Interest and investment earnings				124,893
Miscellaneous				383,948
Contributions to permanent fund principal				5,150
Loss on disposal of capital assets				<u>(77,860)</u>
Total general revenues, contributions to permanent fund principal, and loss on disposal of capital assets				<u>13,759,738</u>
Change in net position				1,353,710
Net Position at the beginning of year				<u>27,386,268</u>
Net Position at the end of year				<u>\$ 28,739,978</u>

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF GILFORD, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2021

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 9,748,569	\$ 138,071	\$ 9,886,640
Investments	982,088	492,422	1,474,510
Taxes receivable, net	945,398		945,398
Accounts receivable, net	87,863	285,516	373,379
Due from other governments	129,834		129,834
Special assessments		4,487	4,487
Due from other funds		1,790,446	1,790,446
Prepaid items	133,178		133,178
Total Assets	<u>12,026,930</u>	<u>2,710,942</u>	<u>14,737,872</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 12,026,930</u>	<u>\$ 2,710,942</u>	<u>\$ 14,737,872</u>
LIABILITIES			
Accounts payable	\$ 347,095	\$ 8,956	\$ 356,051
Accrued liabilities	216,803		216,803
Retainage payable	25,967		25,967
Advances from grantors	187,085		187,085
Due to other funds	1,778,571	11,875	1,790,446
Total Liabilities	<u>2,555,521</u>	<u>20,831</u>	<u>2,576,352</u>
DEFERRED INFLOWS OF RESOURCES			
Property taxes collected in advance	184,532		184,532
Uncollected property taxes	392,706		392,706
Uncollected assessment revenue		4,487	4,487
Total Deferred Inflows of Resources	<u>577,238</u>	<u>4,487</u>	<u>581,725</u>
FUND BALANCES			
Nonspendable	133,178	474,054	607,232
Restricted	448,597	211,984	660,581
Committed	1,960,813	1,986,610	3,947,423
Assigned	1,583,676	12,976	1,596,652
Unassigned	4,767,907		4,767,907
Total Fund Balances	<u>8,894,171</u>	<u>2,685,624</u>	<u>11,579,795</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 12,026,930</u>	<u>\$ 2,710,942</u>	<u>\$ 14,737,872</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1
TOWN OF GILFORD, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2021

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 11,579,795
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	30,131,477
Property taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis in the funds.	392,706
Special assessments are recognized on an accrual basis in the statement of net position, not the modified accrual basis in the funds.	4,487
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds:	
Deferred outflows of resources related to OPEB liability	48,638
Deferred outflows of resources related to net pension liability	2,259,704
Deferred inflows of resources related to OPEB liability	(10,654)
Deferred inflows of resources related to net pension liability	(2,981,257)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
Bonds payable	(877,629)
Notes payable	(1,226,013)
Capital leases payable	(383,732)
Accrued interest on long-term obligations	(21,970)
Compensated absences payable	(433,046)
OPEB liability	(838,836)
Net pension liability	<u>(8,903,692)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 28,739,978</u>

See accompanying notes to the basic financial statements

EXHIBIT D
TOWN OF GILFORD, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2021

	General <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:			
Taxes	\$ 10,356,875	\$ 35,052	\$ 10,391,927
Licenses and permits	2,508,916		2,508,916
Intergovernmental	957,462	10,989	968,451
Charges for services	514,183	1,495,810	2,009,993
Interest and investment income	62,012	62,881	124,893
Miscellaneous	300,276	88,822	389,098
Total Revenues	<u>14,699,724</u>	<u>1,693,554</u>	<u>16,393,278</u>
Expenditures:			
Current operations:			
General government	2,577,755	18,855	2,596,610
Public safety	5,063,376	480,661	5,544,037
Highways and streets	3,447,483		3,447,483
Sanitation	615,066	855,246	1,470,312
Water distribution and treatment		5,547	5,547
Health and welfare	81,536		81,536
Culture and recreation	773,001	75,200	848,201
Conservation	29,087		29,087
Economic development	25,148		25,148
Capital outlay	1,347,325	281	1,347,606
Debt service:			
Principal retirement	227,610	31,098	258,708
Interest and fiscal charges	60,917		60,917
Total Expenditures	<u>14,248,304</u>	<u>1,466,888</u>	<u>15,715,192</u>
Excess revenues over (under) expenditures	<u>451,420</u>	<u>226,666</u>	<u>678,086</u>
Other financing sources (uses):			
Issuance of capital lease obligations	53,544		53,544
Transfers in	263,283	11,000	274,283
Transfers out	(11,000)	(263,283)	(274,283)
Total Other financing sources (uses)	<u>305,827</u>	<u>(252,283)</u>	<u>53,544</u>
Net change in fund balances	757,247	(25,617)	731,630
Fund Balances at beginning of year	<u>8,136,924</u>	<u>2,711,241</u>	<u>10,848,165</u>
Fund Balances at end of year	<u>\$ 8,894,171</u>	<u>\$ 2,685,624</u>	<u>\$ 11,579,795</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1
TOWN OF GILFORD, NEW HAMPSHIRE
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended December 31, 2021

Net Change in Fund Balances - Governmental Funds (Exhibit D)	\$ 731,630
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period.	(140,018)
Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the loss on the disposed capital assets reduced by the actual proceeds received from the disposal.	(83,860)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(111,043)
Repayment of bond and note payable principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	247,532
Governmental funds report the effect of bond issuance premiums when debt is first issued, whereas these amounts are amortized in the statement of activities over the life of the related debt.	5,465
Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	323,187
Issuance of long-term obligations are reported as other financing sources in the governmental funds, but long-term obligations increase long-term liabilities in the statement of net position.	(53,544)
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds, an interest expenditure is reported when due.	5,182
Some expenses reported in the statement of activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(3,190)
Governmental funds report OPEB and pension contributions as expenditures. However, in the statement of activities, OPEB and pension expense reflects the change in the OPEB liability and net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which OPEB and pension expense differed from OPEB and pension contributions in the current period.	
Net changes in OPEB	17,550
Net changes in pension	414,819
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 1,353,710</u>

See accompanying notes to the basic financial statements

EXHIBIT E
TOWN OF GILFORD, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2021

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 8,391,102
Taxes receivable	<u>1,086,471</u>
Total Assets	<u>9,477,573</u>
LIABILITIES	
Accounts payable	129,834
Due to other governments	<u>7,129,659</u>
Total Liabilities	<u>7,259,493</u>
NET POSITION	
Restricted for:	
Individuals and other governments	<u>2,218,080</u>
Total Net Position	<u>\$ 2,218,080</u>

See accompanying notes to the basic financial statements

EXHIBIT F
TOWN OF GILFORD, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2021

	Custodial Funds
ADDITIONS:	
Contributions:	
Miscellaneous	\$ 715,862
Total Contributions	<u>715,862</u>
Investment earnings:	
Interest income	<u>629</u>
Total Investment earnings	<u>629</u>
Property tax collections for other governments	21,414,588
Motor vehicle fee collections for other governments	<u>739,841</u>
Total Additions	<u>22,870,920</u>
DEDUCTIONS:	
Benefits paid to beneficiaries	93,352
Payments of property tax to other governments	21,414,588
Payments of motor vehicle fees to other governments	<u>739,841</u>
Total Deductions	<u>22,247,781</u>
Change in net position	623,139
Net Position at the beginning of year	<u>1,594,941</u>
Net Position at the end of year	<u>\$ 2,218,080</u>

See accompanying notes to the basic financial statements

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2021

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

The Town of Gilford, New Hampshire (the Town) was incorporated in 1812. The Town operates under the Town Meeting/Board of Selectmen form of government and performs local governmental functions authorized by State law.

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

Basis of Presentation

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

1. Government-Wide Financial Statements:

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

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

2. Fund Financial Statements:

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

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Fund Accounting

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

1. Governmental Funds:

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

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

2. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is comprised solely of custodial funds. Custodial funds are used to account for amounts collected by the Town and remitted to other individuals or governments. These assets are therefore not available to support the Town's own programs.

Measurement Focus

1. Government-Wide Financial Statements:

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

2. Fund Financial Statements:

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

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

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Basis of Accounting

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

1. Revenues – Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 11). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

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

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

2. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred.

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

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Budgetary Data

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

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2021, the Town appropriated \$584,293 from surplus.

Investments

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

Taxes Receivable

Taxes levied during the current year and prior and uncollected at December 31, 2021 are recorded as receivables net of reserves for estimated uncollectibles of \$10,000.

Accounts Receivable

Charges for services billed during the current fiscal year and prior and uncollected at December 31, 2021 are recorded as receivables net of reserves for estimated uncollectibles of \$251,006 and \$40,686 in the General Fund and the Nonmajor Governmental Funds, respectively.

Special Assessments

Assessment fees charged for sewer hook-ups during the current and prior years that will be collected in future periods are recorded as special assessments receivable and deferred inflows of resources in the governmental fund financial statements. The revenue is recognized when earned in the government-wide financial statements.

Capital Assets

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

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The Town maintains a capitalization threshold of \$50,000. The Town's infrastructure consists of sidewalks, sewer collection and treatment systems, and similar items. The Town is not required to retroactively report its general infrastructure. Infrastructure records have been maintained effective January 1, 2004 and are included in these financial statements. Intangible assets of the Town consist solely of land easements. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

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

	<u>Description</u>	<u>Years</u>
	Intangible assets	100
	Buildings and improvements	10-150
	Vehicles and equipment	3-50
	Infrastructure	20-50

Bond Premiums

Bond premiums are amortized as a component of interest expense over the life of the related bond using the effective interest rate method. Bonds payable are reported in the accompanying financial statements gross of any applicable unamortized bond premiums.

Compensated Absences

Employees earn vacation and sick leave as they provide services. Dependent upon the department and years of service, employees earn vacation and sick pay at a rate of ten to twenty-five days per year. Pursuant to Town personnel policy and certain collective bargaining agreements, upon voluntary separation of employment from the Town, employees shall be compensated for unused sick and vacation leave (subject to certain limitations) at current rates of pay or at a rate agreed to in the collective bargaining agreements.

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

Accrued Liabilities and Long-Term Obligations

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

Postemployment Benefits Other Than Pensions (OPEB)

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

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Investments are reported at fair value, except for non-registered commingled funds valued at net asset value (NAV) as a practical expedient to estimate fair value.

Pensions

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

Net Position

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

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

Fund Balance Policy

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

- ***Nonspendable Fund Balance:*** Amounts that are not in a spendable form or are required to be maintained intact.
- ***Restricted Fund Balance:*** Amounts constrained to specific purposes stipulated by external resource providers or through enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or through enabling legislation.
- ***Committed Fund Balance:*** Includes amounts that can be used only for the specific purposes imposed by a formal action of the Town's highest level of decision making authority (the Annual Town Meeting). Commitments may be changed or lifted only by taking the same formal action that imposed the constraint originally.
- ***Assigned Fund Balance:*** Amounts the Town intends to use for specific purposes. Intent can be expressed by the Board of Selectmen or by an official to which the Board of Selectmen delegates the authority. For all governmental funds other than the General Fund, any remaining positive fund balance is to be classified as "Assigned".
- ***Unassigned Fund Balance:*** Amounts that are not obligated or specifically designated for a specified use and are available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit balance of another governmental fund is also classified as "Unassigned".

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Spending Prioritizations

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

Minimum Level of Unassigned Fund Balance

The Town's fund balance policy mandates the Town maintain a level of fund balance between 5% and 17% of the sum of the Town's annual budget plus the school and county appropriations, in accordance with the recommendations of the NH Department of Revenue Administration and the general accepted accounting practices recommended by the Government Finance Officers Association. To avoid the need to issue Tax Anticipation Notes, the Town shall retain a sufficient amount of unassigned fund balance in order to provide an appropriate level of cash reserves for Town operations and its obligations to the school district and county. This amount shall also include funds necessary to manage unanticipated emergencies as defined by RSA-32:11. A nominal amount of the unassigned fund balance shall be used to stabilize the municipal portion of the tax rate. This amount shall reflect a minimal sum anticipated annually, resulting from unexpended appropriations and unanticipated revenues. This nominal amount, in excess of the cash reserves noted in the previous paragraph, is established at \$200,000.

Interfund Activity

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

Estimates

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

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Town did not implement the provisions of GASB Statement 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as it pertains to its single employer OPEB plan. Statement 75 requires governments to account for certain other postemployment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The provisions of GASB Statement 75 were required to be implemented by the Town during the year ended December 31, 2018. The Town has only implemented the provisions of GASB Statement 75 as it pertains to its cost-sharing multiple-employer defined benefit OPEB plan (see Note 6).

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

NOTE 3—DEPOSITS AND INVESTMENTS

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

Statement of Net Position:	
Cash and cash equivalents	\$ 9,886,640
Investments	1,474,510
Statement of Fiduciary Net Position:	
Cash and cash equivalents	<u>8,391,102</u>
	<u>\$ 19,752,252</u>

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

Cash on hand	\$ 930
Deposits with financial institutions	10,879,881
Investments	<u>8,871,441</u>
	<u>\$ 19,752,252</u>

The Town's investment policy for governmental funds requires that deposits be made in federally insured banks chartered under the laws of the State of New Hampshire or the federal government with a branch within the State of New Hampshire. The Town limits its investments for governmental funds to the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool in accordance with New Hampshire State law and federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the State to the following investment types: money market accounts, certificates of deposit, repurchase agreements collateralized by U.S. Government Securities, all other types of interest bearing accounts, or U.S. Government notes and obligations fully guaranteed as to principal and interest by the United States government.

Responsibility for the investments of the Trust Funds is with the Board of Trustees. Investments of the library funds are at the discretion of the Library Trustees.

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The Town's investment policy for governmental funds regarding interest rate risk indicates that safety and liquidity are the primary objectives. The Trustees of Trust Funds investment policy's primary goal is safety of principal with a secondary goal of maximizing the total return, consistent with prudent investment management.

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

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

<u>Investment Type</u>	<u>Total</u>	<u>Remaining Maturity (in Years)</u>		
		<u>0-1 Years</u>	<u>1-5 Years</u>	<u>> 5 Years</u>
Bond mutual funds	\$ 276,108	\$ 3,650		\$ 272,458
Exchange traded funds	49,914		\$ 40,172	9,742
	<u>\$ 326,022</u>	<u>\$ 3,650</u>	<u>\$ 40,172</u>	<u>\$ 282,200</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town's investment policy for managing credit risk is to minimize credit risk by limiting its investments to the safest types of securities and diversifying the portfolio. The Trustees of Trust Funds do not have a formal investment policy for managing exposure to credit risk.

The following are the actual ratings as of December 31, 2021, for each investment type:

<u>Investment Type</u>	<u>Rating as of Year End</u>		<u>Fair Value</u>
	<u>AAAm</u>	<u>Not Rated</u>	
State investment pool	\$ 608,101		\$ 608,101
Equity mutual funds		\$ 466,740	466,740
Bond mutual funds		276,108	276,108
Money market mutual funds		4,213,372	4,213,372
	<u>\$ 608,101</u>	<u>\$ 4,956,220</u>	<u>\$ 5,564,321</u>

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. For assurance against custodial credit risk, the Town's investment policy requires that all investment and depository instruments be collateralized with pledged securities that shall be perfected through third party custodial safekeeping and be equal to or in excess of the amount of the investment and depository instruments. The Trustees of Trust Funds do not have a formal investment policy regarding custodial credit risk.

Of the Town's deposits with financial institutions at year end, \$8,794,124 was collateralized by securities held by the bank in the bank's name.

As of December 31, 2021, Town investments in the following investment types were held by the same counterparty that was used to buy the securities:

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

<u>Investment Type</u>	<u>Amount</u>
Equity mutual funds	\$ 466,740
Bond mutual funds	276,108
Exchange traded funds	119,598
Money market mutual funds	4,213,372
Repurchase agreement (fully collateralized)	3,187,522
	<u>\$ 8,263,340</u>

Investment in NHPDIP

The Town is a voluntary participant in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool. The NHPDIP is not registered with the United States Securities and Exchange Commission as an investment company. The NHPDIP was created by state law and is administered by a public body of state, local and banking officials. Financial statements for the NHPDIP can be accessed through the NHPDIP's website at www.NHPDIP.com.

The Town's exposure to derivatives is indirect through its participation in the NHPDIP. The Town's proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the value of the pool shares.

Fair Value Measurement of Investments

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

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

As of December 31, 2021, the Town's investments measured at fair value, by type, were as follows:

<u>Investment Type</u>	<u>Fair Value Measurements Using:</u>			<u>Total</u>
	<u>Level 1</u> <u>Inputs</u>	<u>Level 2</u> <u>Inputs</u>	<u>Level 3</u> <u>Inputs</u>	
Equity mutual funds	\$ 466,740			\$ 466,740
Bond mutual funds	276,108			276,108
Exchange traded funds	119,598			119,598
	<u>\$ 862,446</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 862,446</u>

Equity and bond mutual funds and exchange traded funds classified as Level 1 are valued using unadjusted quoted prices in active markets for those securities.

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

NOTE 4—CAPITAL ASSETS

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

	<u>Balance</u> <u>1/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2021</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 13,283,677			\$ 13,283,677
Construction in progress	204,549	\$ 69,137	\$ (204,549)	69,137
Total capital assets not being depreciated	<u>13,488,226</u>	<u>69,137</u>	<u>(204,549)</u>	<u>13,352,814</u>
Other capital assets:				
Intangible assets	1,921,901			1,921,901
Buildings and improvements	9,367,945			9,367,945
Vehicles and equipment	6,652,207	479,745	(282,399)	6,849,553
Infrastructure	4,796,818	187,832		4,984,650
Total other capital assets at historical cost	<u>22,738,871</u>	<u>667,577</u>	<u>(282,399)</u>	<u>23,124,049</u>
Less accumulated depreciation for:				
Intangible assets	(186,715)	(16,119)		(202,834)
Buildings and improvements	(1,681,664)	(91,554)		(1,773,218)
Vehicles and equipment	(3,015,233)	(458,379)	198,539	(3,275,073)
Infrastructure	(988,130)	(106,131)		(1,094,261)
Total accumulated depreciation	<u>(5,871,742)</u>	<u>(672,183)</u>	<u>198,539</u>	<u>(6,345,386)</u>
Total other capital assets, net	<u>16,867,129</u>	<u>(4,606)</u>	<u>(83,860)</u>	<u>16,778,663</u>
Total capital assets, net	<u>\$ 30,355,355</u>	<u>\$ 64,531</u>	<u>\$ (288,409)</u>	<u>\$ 30,131,477</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 38,612
Public safety	233,251
Highways and streets	252,162
Sanitation	90,094
Culture and recreation	41,945
Conservation	16,119
Total governmental activities depreciation expense	<u>\$ 672,183</u>

The balance of assets acquired through capital lease issuances as of December 31, 2021 is as follows:

Vehicles and equipment	\$ 1,278,635
Less: Accumulated depreciation	<u>(278,909)</u>
	<u>\$ 999,726</u>

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

NOTE 5—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town’s long-term obligations for the year ended December 31, 2021 are as follows:

	<u>Balance</u> <u>1/1/2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2021</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Bonds payable	\$ 890,000		\$ (50,000)	\$ 840,000	\$ 50,000
Unamortized bond premium	<u>43,094</u>		<u>(5,465)</u>	<u>37,629</u>	
Total Bonds payable	933,094	\$ -	(55,465)	877,629	50,000
Notes payable	1,423,545		(197,532)	1,226,013	204,363
Capital leases payable	653,375	53,544	(323,187)	383,732	125,373
Compensated absences payable	<u>429,856</u>	<u>17,447</u>	<u>(14,257)</u>	<u>433,046</u>	<u>21,652</u>
	<u>\$ 3,439,870</u>	<u>\$ 70,991</u>	<u>\$ (590,441)</u>	<u>\$ 2,920,420</u>	<u>\$ 401,388</u>

Payments on the bonds payable and notes payable are paid out of the General Fund and Sewer Fund, a Nonmajor Governmental Fund, as applicable. Amortization of the bond premium is recognized as a component of interest expense on the Statement of Activities (Exhibit B). Payments on capital leases are paid out of the General Fund. Compensated absences will be paid from the fund where the employee’s salary is paid.

General Obligation Bonds

General obligation bonds are direct obligations of the Town, for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property. Bonds are not subject to redemption prior to maturity.

Bonds payable at December 31, 2021 are comprised of the following individual issues:

<u>Description</u>	<u>Original</u> <u>Issue</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Balance at</u> <u>12/31/2021</u>
2014 Police Station Bonds	<u>\$ 1,130,000</u>	3.44%	August 2034	<u>\$ 840,000</u>
			Sub-total Bonds payable	840,000
			Add: <i>Unamortized bond premium</i>	<u>37,629</u>
			Total Bonds payable	<u>\$ 877,629</u>

Debt service requirements to retire general obligation bonds outstanding at December 31, 2021 are as follows:

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 50,000	\$ 34,890	\$ 84,890
2023	55,000	32,340	87,340
2024	55,000	29,535	84,535
2025	55,000	26,730	81,730
2026	60,000	25,025	85,025
2027-2031	330,000	89,790	419,790
2032-2034	235,000	19,475	254,475
Sub-total Bonds payable	840,000	257,785	1,097,785
Add: <i>Unamortized bond premium</i>	37,629		37,629
Total Bonds payable	<u>\$ 877,629</u>	<u>\$ 257,785</u>	<u>\$ 1,135,414</u>

General Obligation Notes

General obligation notes are direct obligations of the Town, for which its full faith and credit are pledged, and are payable from taxes levied on all taxable property. All notes are considered direct borrowings for the Town. The Town reserves the right to prepay without penalty.

Notes payable at December 31, 2021 is comprised of the following individual issues:

<u>Description</u>	<u>Original</u> <u>Issue</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Balance at</u> <u>12/31/2021</u>
2008 Bean Property Bonds	\$ 980,000	5.03%	December 2022	\$ 91,102
Varney Point Road Pumping Station Note	629,471	2.00%	July 2048	538,237
2018 Recycling Center Note	950,000	2.48%	December 2027	596,674
	<u>\$ 2,559,471</u>		Total Notes payable	<u>\$ 1,226,013</u>

Debt service requirements to retire the general obligation notes outstanding at December 31, 2021 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 204,363	\$ 27,424	\$ 231,787
2023	115,629	22,122	137,751
2024	118,029	19,323	137,352
2025	120,548	16,406	136,954
2026	123,102	13,453	136,555
2027-2031	205,451	41,534	246,985
2032-2036	99,674	29,902	129,576
2037-2041	99,674	19,935	119,609
2042-2046	99,674	9,967	109,641
2047-2048	39,869	1,196	41,065
Total Notes payable	<u>\$ 1,226,013</u>	<u>\$ 201,262</u>	<u>\$ 1,427,275</u>

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Capital Lease Obligations

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

The following are the individual capital lease obligations outstanding at December 31, 2021:

Fire equipment, due in annual installments of \$37,127, including interest at 2.125%, through July 2025	\$ 140,835
Fire Boat, due in annual installments of \$52,342, including interest at 2.75%, through January 2024	105,821
Highway equipment, due in annual installments of \$32,600, including interest at 1.85%, through December 2024	94,288
Fire Department vehicle, due in annual installments of \$11,210 including interest at 5.00%, through December 2025	42,788
	<u>\$ 383,732</u>

Debt service requirements to retire capital lease obligations outstanding at December 31, 2021 are as follows:

<u>Year Ending</u> <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 125,373	\$ 7,905	\$ 133,278
2023	128,289	4,989	133,278
2024	82,725	2,573	85,298
2025	47,345	992	48,337
	<u>\$ 383,732</u>	<u>\$ 16,459</u>	<u>\$ 400,191</u>

NOTE 6—OTHER POSTEMPLOYMENT BENEFITS

Plan Description

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

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

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

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Benefits Provided

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

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

Funding Policy

Per RSA-100-A:16, contribution rates are established and may be amended by the New Hampshire State legislature and are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's contribution rates for the covered payroll of general employees and public safety employees were 0.29% and 3.66% through June 30, 2021, respectively, and 0.31% and 3.21%, respectively, thereafter. Contributions to the OPEB plan for the Town were \$95,381 for the year ended December 31, 2021. Employees are not required to contribute to the OPEB plan.

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

At December 31, 2021, the Town reported a liability of \$838,836 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by a roll forward of the actuarial valuation from June 30, 2020. The Town's proportion of the net OPEB liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2021, the Town's proportion was approximately 0.2095 percent, which was an increase of 0.0123 percentage points from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Town recognized OPEB expense of \$77,833. At December 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience		\$ 175
Net difference between projected and actual earnings on OPEB plan investments		10,479
Changes in proportion and differences between Town contributions and proportionate share of contributions	\$ 450	
Town contributions subsequent to the measurement date	<u>48,188</u>	
Totals	<u>\$ 48,638</u>	<u>\$ 10,654</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as an increase to unrestricted net position in the amount of \$37,984. The Town reported \$48,188 as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net OPEB liability in the measurement period ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the measurement periods as follows:

<u>June 30,</u>	
2022	\$ (2,122)
2023	(2,202)
2024	(2,468)
2025	<u>(3,412)</u>
	<u>\$ (10,204)</u>

Actuarial Assumptions

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.00%
Wage inflation	2.75% (2.25% for Teachers)
Salary increases	5.60%, average, including inflation
Investment rate of return	6.75% per year, net of OPEB plan investment expense, including inflation for determining solvency contributions

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

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

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, 2015 – June 30, 2019.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	1.14-6.46%
International equity	20%	2.37-5.53%
Fixed income	25%	3.60%
Alternative investments	15%	7.25-8.85%
Real estate	10%	6.60%
Total	<u>100%</u>	

The discount rate used to measure the collective total OPEB liability as of June 30, 2021 was 6.75%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and RSA 100-A:53. Based on those assumptions, the OPEB Plan’s fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

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

The following presents the Town’s proportionate share of the net OPEB liability calculated using the discount rate of 6.75%, as well as what the Town’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease	Current Discount rate	1% Increase
	<u>(5.75%)</u>	<u>(6.75%)</u>	<u>(7.75%)</u>
Net OPEB liability	\$ 911,881	\$ 838,836	\$ 775,283

NOTE 7—DEFINED BENEFIT PENSION PLAN

Plan Description

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

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

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

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

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

Benefits Provided

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

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

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

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

Funding Policy

Covered police officers and fire employees are required to contribute 11.55% and 11.80%, respectively, of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers, fire employees, and general employees were 24.77%, 26.43% and 10.88% through June 30, 2021, respectively, and 30.67%, 29.78%, and 13.75%, respectively, thereafter. The Town contributed 100% of the employer cost for public safety and general employees of the Town.

Per RSA-100-A:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's contributions to the NHRS for the year ended December 31, 2021 were \$1,034,850.

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

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

At December 31, 2021, the Town reported a liability of \$8,903,692 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2020. The Town's proportion of the net pension liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2021, the Town's proportion was approximately 0.2009 percent, which was an increase of approximately 0.0116 percentage points from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Town recognized pension expense of \$620,030. At December 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 249,316	\$ 93,215
Change in assumptions	929,940	
Net difference between projected and actual investment earnings on pension plan investments		2,490,159
Changes in proportion and differences between Town contributions and proportionate share of contributions	483,294	397,883
Town contributions subsequent to the measurement date	<u>597,154</u>	
Totals	<u>\$ 2,259,704</u>	<u>\$ 2,981,257</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as a decrease to unrestricted net position in the amount of \$721,553. The Town reported \$597,154 as deferred outflows of resources related to pension resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2022. Other amounts reported as deferred outflows and deferred inflows of resources related to pension will be recognized as pension expense in the measurement periods as follows:

<u>June 30,</u>	
2022	\$ (270,485)
2023	(161,552)
2024	(184,980)
2025	<u>(701,690)</u>
	<u>\$ (1,318,707)</u>

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2020, using the following actuarial assumptions:

Inflation	2.00%
Wage inflation	2.75% (2.25% for Teachers)
Salary increases	5.60%, average, including inflation
Investment rate of return	6.75%, net of pension plan investment expense, including inflation

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

The actuarial assumptions used in the June 30, 2020 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2015 – June 30, 2019.

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	1.14-6.46%
International equity	20%	2.37-5.53%
Fixed income	25%	3.60%
Alternative investments	15%	7.25-8.85%
Real estate	10%	6.60%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective 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 contributions are projected based on the expected payroll of current members only. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the collective pension liability.

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

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

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

	1% Decrease <u>(5.75%)</u>	Current Discount rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Town's proportionate share of the net pension liability	\$ 12,733,298	\$ 8,903,692	\$ 5,709,175

NOTE 8—INTERFUND BALANCES AND TRANSFERS

The Town has combined the cash resources of its governmental funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance.

Interfund balances at December 31, 2021 are as follows:

Due to	General Fund	Due from Nonmajor Governmental Funds	Totals
Nonmajor Governmental Funds	\$ 1,778,571	\$ 11,875	\$ 1,790,446
	<u>\$ 1,778,571</u>	<u>\$ 11,875</u>	<u>\$ 1,790,446</u>

During the year, several interfund transactions occurred between funds. The various transfers were made in accordance with budgetary authorization.

Interfund transfers for the year ended December 31, 2021 are as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 263,283	\$ 11,000
Nonmajor Governmental Funds:		
Old Home Day Fund	11,000	
Sewer Fund		10,000
Ambulance Revolving Fund		253,283
	<u>\$ 274,283</u>	<u>\$ 274,283</u>

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

NOTE 9—RESTRICTED NET POSITION

Net position of governmental activities is restricted for specific purposes at December 31, 2021 as follows:

Permanent Funds - Principal	\$ 474,054
Permanent Funds - Income	55,538
Conservation trusts	448,597
Library funds	112,776
Drug Forfeiture funds	15,694
Donation funds	27,976
	<u>\$ 1,134,635</u>

NOTE 10—COMPONENTS OF FUND BALANCE

The components of the Town's fund balance for its governmental funds at December 31, 2021 are as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:			
Prepaid items	\$ 133,178		\$ 133,178
Permanent funds - Principal		\$ 474,054	474,054
Restricted for:			
Conservation trusts	448,597		448,597
Permanent funds - Income		55,538	55,538
Library operations		112,776	112,776
Drug forfeiture		15,694	15,694
Donations		27,976	27,976
Committed for:			
Carryforward appropriations	51,538		51,538
Expendable trusts	1,909,275		1,909,275
Conservation commission		332,781	332,781
Sewer operations		999,300	999,300
Sewer capital cost recovery		3,900	3,900
Recreation revolving		94,142	94,142
Special details revolving		144,340	144,340
Ambulance revolving		353,670	353,670
Cemetery		58,477	58,477
Assigned for:			
Designated to offset subsequent year appropriations	1,110,767		1,110,767
Encumbrances	472,909		472,909
Rowe House		209	209
Old Home Day		12,767	12,767
Unassigned:			
Unassigned - General operations	4,767,907		4,767,907
	<u>\$ 8,894,171</u>	<u>\$ 2,685,624</u>	<u>\$ 11,579,795</u>

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

NOTE 11—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$2,583,564,870 as of April 1, 2021) and are due in two installments on July 1, 2021 and December 31, 2021. Taxes paid after the due dates accrue interest at 8% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year-end).

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

In accordance with State law, the Town collects taxes for the Gilford School District, Belknap County, and Gunstock Acres Village Water District, all independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$19,079,659, \$2,156,606, and \$178,323, for the Gilford School District, Belknap County, and Gunstock Acres Village Water District, respectively. These taxes are recognized in these financial statements within the fiduciary funds only. The Town bears responsibility for uncollected taxes.

NOTE 12—RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2021, the Town was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2021.

Property and Liability Insurance

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

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2021

Worker's Compensation

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

NOTE 13—CONTINGENCIES

Litigation

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

SCHEDULE 1
TOWN OF GILFORD, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended December 31, 2021

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 10,235,956	\$ 10,235,956	\$ 10,245,832	\$ 9,876
Licenses and permits	2,266,500	2,266,500	2,508,916	242,416
Intergovernmental	753,402	947,564	957,462	9,898
Charges for services	459,000	459,000	514,183	55,183
Interest and investment income	20,000	20,000	18,849	(1,151)
Miscellaneous	229,000	381,957	297,776	(84,181)
Total Revenues	<u>13,963,858</u>	<u>14,310,977</u>	<u>14,543,018</u>	<u>232,041</u>
Expenditures:				
Current operations:				
General government	2,588,361	2,717,395	2,581,273	136,122
Public safety	5,259,400	5,262,880	5,120,133	142,747
Highways and streets	3,853,257	3,872,025	3,736,841	135,184
Sanitation	595,045	595,045	615,066	(20,021)
Health and welfare	108,309	108,309	81,536	26,773
Culture and recreation	869,813	869,813	790,144	79,669
Conservation	30,700	30,700	29,087	1,613
Economic Development	41,086	41,086	25,148	15,938
Capital outlay	1,067,221	1,211,520	1,178,486	33,034
Debt service:				
Principal retirement	227,610	227,610	227,610	-
Interest and fiscal charges	60,918	60,918	60,917	1
Total Expenditures	<u>14,701,720</u>	<u>14,997,301</u>	<u>14,446,241</u>	<u>551,060</u>
Excess revenues over (under) expenditures	<u>(737,862)</u>	<u>(686,324)</u>	<u>96,777</u>	<u>783,101</u>
Other financing sources (uses):				
Transfers in	467,194	467,194	453,283	(13,911)
Transfers out	<u>(422,193)</u>	<u>(422,193)</u>	<u>(422,193)</u>	<u>-</u>
Total other financing sources (uses)	<u>45,001</u>	<u>45,001</u>	<u>31,090</u>	<u>(13,911)</u>
Net change in fund balance	(692,861)	(641,323)	127,867	769,190
Fund Balance at beginning of year				
- Budgetary Basis	<u>6,328,229</u>	<u>6,328,229</u>	<u>6,328,229</u>	<u>-</u>
Fund Balance at end of year				
- Budgetary Basis	<u>\$ 5,635,368</u>	<u>\$ 5,686,906</u>	<u>\$ 6,456,096</u>	<u>\$ 769,190</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

TOWN OF GILFORD, NEW HAMPSHIRE

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

For the Year Ended December 31, 2021

<u>Measurement Period Ended</u>	<u>Cost-Sharing Multiple Employer Plan Information Only</u>				
	<u>Town's Proportion of the Net OPEB Liability</u>	<u>Town's Proportionate Share of the Net OPEB Liability</u>	<u>Town's Covered Payroll</u>	<u>Town's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
June 30, 2021	0.20946989%	\$ 838,836	\$ 5,044,613	16.63%	11.06%
June 30, 2020	0.19718550%	\$ 863,099	\$ 4,606,220	18.74%	7.74%
June 30, 2019	0.22476140%	\$ 985,379	\$ 4,622,210	21.32%	7.75%
June 30, 2018	0.23029198%	\$ 1,054,382	\$ 4,499,514	23.43%	7.53%
June 30, 2017	0.15568057%	\$ 711,824	\$ 4,462,304	15.95%	7.91%
June 30, 2016	0.15318699%	\$ 741,586	\$ 4,249,625	17.45%	5.21%
June 30, 2015	*	*	*	*	*
June 30, 2014	*	*	*	*	*
June 30, 2013	*	*	*	*	*
June 30, 2012	*	*	*	*	*

* 10 Year schedule, historical information not available

Significant Actuarial Assumptions

<u>Measurement Periods</u>	<u>Inflation</u>	<u>Salary Increases</u>	<u>Investment Rate of Return</u>	<u>Mortality Table</u>	<u>Mortality Scale</u>
June 30, 2020 - 2021	2.00%	5.60%	6.75%	Pub-2010	MP-2019
June 30, 2016 - 2019	2.50%	5.60%	7.25%	RP-2014	MP-2015
June 30, 2013 - 2015	3.00%	3.75-5.80%	7.75%	RP-2000	Scale AA

See accompanying notes to the required supplementary information

SCHEDULE 3
TOWN OF GILFORD, NEW HAMPSHIRE
Schedule of Town OPEB Contributions
For the Year Ended December 31, 2021

Cost-Sharing Multiple Employer Plan Information Only					
<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Town's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2021	\$ 95,381	\$ (95,381)	\$ -	\$ 5,114,193	1.87%
December 31, 2020	\$ 96,959	\$ (96,959)	\$ -	\$ 4,888,029	1.98%
December 31, 2019	\$ 96,642	\$ (96,642)	\$ -	\$ 4,617,984	2.09%
December 31, 2018	\$ 103,762	\$ (103,762)	\$ -	\$ 4,592,798	2.26%
December 31, 2017	\$ 96,885	\$ (96,885)	\$ -	\$ 4,481,111	2.16%
December 31, 2016	\$ 90,483	\$ (90,483)	\$ -	\$ 4,323,953	2.09%
December 31, 2015	*	*	*	*	*
December 31, 2014	*	*	*	*	*
December 31, 2013	*	*	*	*	*
December 31, 2012	*	*	*	*	*

* 10 Year schedule, historical information not available

SCHEDULE 4

TOWN OF GILFORD, NEW HAMPSHIRE

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

For the Year Ended December 31, 2021

<u>Measurement Period Ended</u>	<u>Town's Proportion of the Net Pension Liability</u>	<u>Town's Proportionate Share of the Net Pension Liability</u>	<u>Town's Covered Payroll</u>	<u>Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2021	0.20089924%	\$ 8,903,692	\$ 5,044,613	176.50%	72.22%
June 30, 2020	0.18934139%	\$ 12,110,561	\$ 4,606,220	262.92%	58.72%
June 30, 2019	0.19993676%	\$ 9,620,266	\$ 4,622,210	208.13%	65.59%
June 30, 2018	0.20225847%	\$ 9,739,155	\$ 4,499,514	216.45%	64.73%
June 30, 2017	0.21023119%	\$ 10,339,155	\$ 4,462,304	231.70%	62.66%
June 30, 2016	0.20621926%	\$ 10,965,906	\$ 4,249,625	258.04%	58.30%
June 30, 2015	0.19893695%	\$ 7,880,941	\$ 4,024,996	195.80%	65.47%
June 30, 2014	0.19060229%	\$ 7,154,420	\$ 3,735,394	191.53%	66.32%
June 30, 2013	0.19571271%	\$ 8,423,053	\$ 3,733,416	225.61%	59.81%
June 30, 2012	*	*	*	*	*

* 10 Year schedule, historical information not available

Significant Actuarial Assumptions

<u>Measurement Periods</u>	<u>Inflation</u>	<u>Salary Increases</u>	<u>Investment Rate of Return</u>	<u>Mortality Table</u>	<u>Mortality Scale</u>
June 30, 2020 - 2021	2.00%	5.60%	6.75%	Pub-2010	MP-2019
June 30, 2016 - 2019	2.50%	5.60%	7.25%	RP-2014	MP-2015
June 30, 2013 - 2015	3.00%	3.75-5.80%	7.75%	RP-2000	Scale AA

See accompanying notes to the required supplementary information

SCHEDULE 5
TOWN OF GILFORD, NEW HAMPSHIRE
Schedule of Town Pension Contributions
For the Year Ended December 31, 2021

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Town's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2021	\$ 1,034,850	\$ (1,034,850)	\$ -	\$ 5,114,193	20.23%
December 31, 2020	\$ 892,043	\$ (892,043)	\$ -	\$ 4,888,029	18.25%
December 31, 2019	\$ 855,447	\$ (855,447)	\$ -	\$ 4,617,984	18.52%
December 31, 2018	\$ 871,267	\$ (871,267)	\$ -	\$ 4,592,798	18.97%
December 31, 2017	\$ 812,598	\$ (812,598)	\$ -	\$ 4,481,111	18.13%
December 31, 2016	\$ 750,180	\$ (750,180)	\$ -	\$ 4,323,953	17.35%
December 31, 2015	\$ 692,399	\$ (692,399)	\$ -	\$ 4,082,122	16.96%
December 31, 2014	\$ 652,124	\$ (652,124)	\$ -	\$ 3,937,841	16.56%
December 31, 2013	\$ 559,976	\$ (559,976)	\$ -	\$ 3,769,528	14.86%
December 31, 2012	*	*	*	*	*

* 10 Year schedule, historical information not available

See accompanying notes to the required supplementary information

TOWN OF GILFORD, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2021

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

General Fund

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

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 15,016,551	\$ 14,259,304
Difference in property taxes meeting susceptible to accrual criteria	(111,043)	
Non-budgetary revenues and expenditures	(45,663)	(115,295)
Non-budgetary transfers in and out	(10,000)	(10,000)
Budgetary transfers in and out	200,000	421,193
Encumbrances - December 31, 2020		(106,133)
Encumbrances - December 31, 2021		472,909
Capital lease activity	<u>(53,544)</u>	<u>(53,544)</u>
Per Schedule 1	<u>\$ 14,996,301</u>	<u>\$ 14,868,434</u>

NOTE 2—BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at December 31, 2021 are as follows:

<i>Nonspendable:</i>	
Prepaid items	\$ 133,178
<i>Committed for:</i>	
Carryforward appropriations	51,538
<i>Assigned for:</i>	
Designated to offset subsequent year appropriations	1,110,767
<i>Unassigned:</i>	
Unassigned - General operations	<u>5,160,613</u>
	<u>\$ 6,456,096</u>

SCHEDULE A
TOWN OF GILFORD, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2021

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Combining <u>Totals</u>
ASSETS			
Cash and cash equivalents	\$ 51,640	\$ 86,431	\$ 138,071
Investments	61,136	431,286	492,422
Accounts receivable, net	285,516		285,516
Special assessments	4,487		4,487
Due from other funds	<u>1,778,571</u>	<u>11,875</u>	<u>1,790,446</u>
Total Assets	<u>2,181,350</u>	<u>529,592</u>	<u>2,710,942</u>
DEFERRED OUTFLOWS OF RESOURCES			
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 2,181,350</u>	<u>\$ 529,592</u>	<u>\$ 2,710,942</u>
LIABILITIES			
Accounts payable	\$ 8,956		\$ 8,956
Due to other funds	<u>11,875</u>		<u>11,875</u>
Total Liabilities	<u>20,831</u>	<u>\$ -</u>	<u>20,831</u>
DEFERRED INFLOWS OF RESOURCES			
Uncollected assessment revenue	<u>4,487</u>		<u>4,487</u>
Total Deferred Inflows of Resources	<u>4,487</u>	<u>-</u>	<u>4,487</u>
FUND BALANCES			
Nonspendable		474,054	474,054
Restricted	156,446	55,538	211,984
Committed	1,986,610		1,986,610
Assigned	<u>12,976</u>		<u>12,976</u>
Total Fund Balances	<u>2,156,032</u>	<u>529,592</u>	<u>2,685,624</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,181,350</u>	<u>\$ 529,592</u>	<u>\$ 2,710,942</u>

SCHEDULE A-1
TOWN OF GILFORD, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
December 31, 2021

	<u>Library Fund</u>	<u>Sewer Fund</u>	<u>Conservation Commission Fund</u>	<u>Capital Cost Recovery Fund</u>	<u>Drug Forfeiture Fund</u>	<u>Rowe House Fund</u>	<u>Old Home Day Fund</u>
ASSETS							
Cash and cash equivalents	\$ 51,640						
Investments	61,136						
Accounts receivable, net		\$ 252,765					
Special assessments				\$ 4,487			
Due from other funds		<u>746,591</u>	<u>\$ 332,781</u>	<u>3,900</u>	<u>\$ 15,694</u>	<u>\$ 209</u>	<u>\$ 12,767</u>
Total Assets	<u>112,776</u>	<u>999,356</u>	<u>332,781</u>	<u>8,387</u>	<u>15,694</u>	<u>209</u>	<u>12,767</u>
DEFERRED OUTFLOWS OF RESOURCES							
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 112,776</u>	<u>\$ 999,356</u>	<u>\$ 332,781</u>	<u>\$ 8,387</u>	<u>\$ 15,694</u>	<u>\$ 209</u>	<u>\$ 12,767</u>
LIABILITIES							
Accounts payable		\$ 56					
Due to other funds							
Total Liabilities	<u>\$ -</u>	<u>56</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES							
Uncollected assessment revenue				4,487			
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,487</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Restricted	112,776				15,694		
Committed		999,300	332,781	3,900			
Assigned						209	12,767
Total Fund Balances	<u>112,776</u>	<u>999,300</u>	<u>332,781</u>	<u>3,900</u>	<u>15,694</u>	<u>209</u>	<u>12,767</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 112,776</u>	<u>\$ 999,356</u>	<u>\$ 332,781</u>	<u>\$ 8,387</u>	<u>\$ 15,694</u>	<u>\$ 209</u>	<u>\$ 12,767</u>

(continued)

SCHEDULE A-1
TOWN OF GILFORD, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Special Revenue Funds
December 31, 2021
(continued)

	<u>Recreation Fund</u>	<u>Donations Fund</u>	<u>Special Details Revolving Fund</u>	<u>Ambulance Revolving Fund</u>	<u>Cemetery Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
ASSETS						
Cash and cash equivalents						\$ 51,640
Investments						61,136
Accounts receivable, net				\$ 32,751		285,516
Special assessments						4,487
Due from other funds	<u>\$ 94,557</u>	<u>\$ 28,122</u>	<u>\$ 144,340</u>	<u>329,258</u>	<u>\$ 70,352</u>	<u>1,778,571</u>
Total Assets	<u>94,557</u>	<u>28,122</u>	<u>144,340</u>	<u>362,009</u>	<u>70,352</u>	<u>2,181,350</u>
DEFERRED OUTFLOWS OF RESOURCES						
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 94,557</u>	<u>\$ 28,122</u>	<u>\$ 144,340</u>	<u>\$ 362,009</u>	<u>\$ 70,352</u>	<u>\$ 2,181,350</u>
LIABILITIES						
Accounts payable	\$ 415	\$ 146		\$ 8,339		\$ 8,956
Due to other funds					\$ 11,875	11,875
Total Liabilities	<u>415</u>	<u>146</u>	<u>\$ -</u>	<u>8,339</u>	<u>11,875</u>	<u>20,831</u>
DEFERRED INFLOWS OF RESOURCES						
Uncollected assessment revenue						4,487
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,487</u>
FUND BALANCES						
Restricted		27,976				156,446
Committed	94,142		144,340	353,670	58,477	1,986,610
Assigned						12,976
Total Fund Balances	<u>94,142</u>	<u>27,976</u>	<u>144,340</u>	<u>353,670</u>	<u>58,477</u>	<u>2,156,032</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 94,557</u>	<u>\$ 28,122</u>	<u>\$ 144,340</u>	<u>\$ 362,009</u>	<u>\$ 70,352</u>	<u>\$ 2,181,350</u>

SCHEDULE B
TOWN OF GILFORD, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Funds
For the Year Ended December 31, 2021

	Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Combining <u>Totals</u>
Revenues:			
Taxes	\$ 35,052		\$ 35,052
Intergovernmental	10,989		10,989
Charges for services	1,495,810		1,495,810
Interest and investment income	10,160	\$ 52,721	62,881
Miscellaneous	<u>83,672</u>	<u>5,150</u>	<u>88,822</u>
Total Revenues	<u>1,635,683</u>	<u>57,871</u>	<u>1,693,554</u>
Expenditures:			
Current operations:			
General government	14,323	4,532	18,855
Public safety	480,661		480,661
Sanitation	855,246		855,246
Water distribution and treatment	5,547		5,547
Culture and recreation	75,200		75,200
Capital outlay	281		281
Debt service:			
Principal retirement	<u>31,098</u>		<u>31,098</u>
Total Expenditures	<u>1,462,356</u>	<u>4,532</u>	<u>1,466,888</u>
Excess revenues over (under) expenditures	<u>173,327</u>	<u>53,339</u>	<u>226,666</u>
Other financing sources (uses):			
Transfers in	11,000		11,000
Transfers out	<u>(263,283)</u>		<u>(263,283)</u>
Total Other financing sources (uses)	<u>(252,283)</u>	<u>-</u>	<u>(252,283)</u>
Net change in fund balances	(78,956)	53,339	(25,617)
Fund Balances at beginning of year	<u>2,234,988</u>	<u>476,253</u>	<u>2,711,241</u>
Fund Balances at end of year	<u>\$ 2,156,032</u>	<u>\$ 529,592</u>	<u>\$ 2,685,624</u>

SCHEDULE B-1

TOWN OF GILFORD, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds - All Nonmajor Special Revenue Funds

For the Year Ended December 31, 2021

	<u>Library Fund</u>	<u>Sewer Fund</u>	<u>Conservation Commission Fund</u>	<u>Capital Cost Recovery Fund</u>	<u>Drug Forfeiture Fund</u>	<u>Rowe House Fund</u>	<u>Old Home Day Fund</u>
Revenues:							
Taxes			\$ 35,052				
Intergovernmental							
Charges for services		\$ 929,864					
Interest and investment income	\$ 6,231	1,522	618		\$ 33		\$ 43
Miscellaneous	32,468						18,970
Total Revenues	<u>38,699</u>	<u>931,386</u>	<u>35,670</u>	<u>\$ -</u>	<u>33</u>	<u>\$ -</u>	<u>19,013</u>
Expenditures:							
Current operations:							
General government							
Public safety							
Sanitation		855,246					
Water distribution and treatment							
Culture and recreation	27,111						29,236
Capital outlay							
Debt service:							
Principal retirement		31,098					
Total Expenditures	<u>27,111</u>	<u>886,344</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>29,236</u>
Excess revenues over (under) expenditures	<u>11,588</u>	<u>45,042</u>	<u>35,670</u>	<u>-</u>	<u>33</u>	<u>-</u>	<u>(10,223)</u>
Other financing sources (uses):							
Transfers in							11,000
Transfers out		(10,000)					
Total Other financing sources (uses)	<u>-</u>	<u>(10,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,000</u>
Net change in fund balances	11,588	35,042	35,670	-	33	-	777
Fund Balances at beginning of year	<u>101,188</u>	<u>964,258</u>	<u>297,111</u>	<u>3,900</u>	<u>15,661</u>	<u>209</u>	<u>11,990</u>
Fund Balances at end of year	<u>\$ 112,776</u>	<u>\$ 999,300</u>	<u>\$ 332,781</u>	<u>\$ 3,900</u>	<u>\$ 15,694</u>	<u>\$ 209</u>	<u>\$ 12,767</u>

(continued)

SCHEDULE B-1
TOWN OF GILFORD, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Special Revenue Funds
For the Year Ended December 31, 2021
(continued)

	Recreation Fund	Donations Fund	Special Details Revolving Fund	Ambulance Revolving Fund	Cemetery Fund	Total Nonmajor Special Revenue Funds
Revenues:						
Taxes						\$ 35,052
Intergovernmental		\$ 10,989				10,989
Charges for services	\$ 15,368		\$ 404,374	\$ 142,679	\$ 3,525	1,495,810
Interest and investment income	206		217	1,148	142	10,160
Miscellaneous		27,084			5,150	83,672
Total Revenues	<u>15,574</u>	<u>38,073</u>	<u>404,591</u>	<u>143,827</u>	<u>8,817</u>	<u>1,635,683</u>
Expenditures:						
Current operations:						
General government		7,823			6,500	14,323
Public safety		25,549	390,366	64,746		480,661
Sanitation						855,246
Water distribution and treatment		5,547				5,547
Culture and recreation	18,323	530				75,200
Capital outlay		281				281
Debt service:						
Principal retirement						31,098
Total Expenditures	<u>18,323</u>	<u>39,730</u>	<u>390,366</u>	<u>64,746</u>	<u>6,500</u>	<u>1,462,356</u>
Excess revenues over (under) expenditures	<u>(2,749)</u>	<u>(1,657)</u>	<u>14,225</u>	<u>79,081</u>	<u>2,317</u>	<u>173,327</u>
Other financing sources (uses):						
Transfers in						11,000
Transfers out				(253,283)		(263,283)
Total Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(253,283)</u>	<u>-</u>	<u>(252,283)</u>
Net change in fund balances	(2,749)	(1,657)	14,225	(174,202)	2,317	(78,956)
Fund Balances at beginning of year	<u>96,891</u>	<u>29,633</u>	<u>130,115</u>	<u>527,872</u>	<u>56,160</u>	<u>2,234,988</u>
Fund Balances at end of year	<u>\$ 94,142</u>	<u>\$ 27,976</u>	<u>\$ 144,340</u>	<u>\$ 353,670</u>	<u>\$ 58,477</u>	<u>\$ 2,156,032</u>