

TOWN OF AUBURN, NEW HAMPSHIRE
Financial Statements
December 31, 2021
and
Independent Auditor's Report

**TOWN OF AUBURN, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2021**

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Auburn, 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 Auburn, New Hampshire, as of and for the year ended December 31, 2021, and the related notes to the financial statements, which collectively comprise the Town of Auburn, 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
Conservation 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 Auburn, 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 Auburn, 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 Auburn, New Hampshire, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related 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'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 liabilities, deferred outflows of resources, deferred inflows of resources, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, deferred outflows of resources, 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 Auburn, 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 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 Auburn, 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 Auburn, 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 Auburn, 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
February 9, 2023

Management's Discussion and Analysis

This narrative is provided as an overview and analysis of the financial activities of the Town of Auburn for the year ended December 31, 2021. It should be considered in conjunction with the Town's financial statements and footnotes following this section. The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Financial Highlights

- The assets of the Town of Auburn exceed its liabilities at December 31, 2021 by **\$14,365,957** (net position). The change in net position represents a **5% increase** from the prior year's net position of **\$13,677,766**. The amount of Auburn's net pension liability for 2021 is **\$2,613,110** which is **0.0590%** of the total of the New Hampshire Retirement Systems net pension liability. This liability decreased by **\$1,011,762** which equates to a **38.7%** decrease to the Town's net pension liability. Additionally, this is the Town's fourth year reporting its net OPEB liability (GASB Statement #75). The amount of Auburn's net OPEB liability is **\$269,132**, which is **0.0672%** of the total New Hampshire Retirement Systems net OPEB liability. Some of the changes in net pension liability and OPEB liability can be explained by legislative changes and return on the investments of the NHRS which are outside the control of Town management.
- As of the close of the current reporting year, the Town of Auburn reported a general fund balance of **\$3,756,482** which includes **\$87,183 in nonspendable**, **\$61,959 in restricted**, **\$436,870 in committed**, **\$241,127 in assigned** and **\$2,929,343 in unassigned fund balance**. General fund total expenditures for 2021 were **\$5,680,586**. There was an increase of **\$345,993** in the general fund balance from December 31, 2020 to December 31, 2021.
- The Town of Auburn lease obligations at year end were **\$91,013**. This shows a net decrease of the Town's lease obligations by **\$129,388** from the prior year. This decrease is due to scheduled payments on prior lease obligations for fire and police vehicles leases.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the financial statements of the Town of Auburn, which are comprised of three components:

- A. Government-wide financial statements
- B. Fund financial statements
- C. Notes to the financial statements

This report also contains miscellaneous supplementary information in addition to the basic financial statements.

- A. The **government-wide financial statements** are designed to provide the readers with a broad overview of the financial position of the Town of Auburn. They are similar to private sector financial statements and include the following:
 1. A *statement of net position* shows the Town's assets and deferred outflows of resources less its liabilities and deferred inflows of resources as of the end of the current reporting year. The difference is reported as net position. Over a period of time, this report is useful in determining whether or not the Town's financial position is improving or declining. Assets and liabilities are generally measured using current values with one major exception being capital assets, which are reported at historical cost less accumulated depreciation.
 2. A *statement of activities* shows how the Town's net position changed during the current reporting year. The statement includes all underlying events throughout the year, regardless of whether or not the Town's cash flow is influenced. In other words, revenues that are earned but not collected and expenses

that are incurred but not yet paid are reported in this statement and are presented in the form of receivables and payables as of the end of the current reporting year.

The governmental activities reported in the financials for the Town of Auburn include general government, public safety, highways and streets, health, welfare, culture and recreation, conservation, and economic development.

- B. **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. All of the funds of the Town of Auburn can be divided into two categories: governmental and fiduciary.

Governmental funds: Governmental funds essentially account for the same functions reported in the government-wide statement of activities. Unlike the government-wide financial statements however, the governmental fund financial statements focus on near-term inflows and outflows. Governmental funds state the balance of expendable resources available at the end of the reporting year. The governmental fund financial statements give a closer view than the government-wide financial statements and may be useful in evaluating the Town's near-term financing requirements and available resources.

In comparing functions between the two sets of statements, readers may better understand the long-term impact of the Town's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balances provide a reconciliation that can be used to facilitate a comparison between governmental funds and governmental activities of the whole government.

The Town of Auburn maintains four individual governmental funds. The operations of each fund are accounted for separately and are comprised of assets, liabilities, fund equity, revenues and expenditures. The various funds are reported by major fund, with the non-major funds being aggregated into a single column. Combining statements are presented later on in the report as supplementary information to show the aggregate of these funds. The basic governmental fund financial statements can be found on page 3 – 8 of this report.

An annual appropriated budget is adopted each year for the general fund. The budget to actual statement of revenues, expenditures and changes in fund balance for the general fund is included as required supplementary information on page 29.

Fiduciary Funds: Fiduciary funds are used to account for resources held or established under an agreement for the benefit of outside parties. The basic fiduciary fund financial statement can be found on pages 7-8 of this report.

- C. **Notes to the financial statements:** The notes are intended to provide additional information that is essential in order for the reader to fully understand the data that is provided in both the governmental-wide financial statements and fund financial statements.

Government-wide Financial Analysis

As previously pointed out, the statement of net position report is useful in determining whether or not the Town's financial position is improving or declining. As also noted in the Financial Highlights section of this report, the Town of Auburn reported net position of **\$14,365,957** at the close of the report year ended December 31, 2021.

Of this amount, **88%** represents the Town's net investment in capital assets (land, building, machinery and equipment); less any related outstanding debt used to acquire them. While these capital assets are used to provide services to the citizens of Auburn, it is important to note that these assets are not available for future spending. Although the Town's capital assets are reported net of related debt, the resources needed to satisfy such debt must be provided from other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

Less than **2%** of the Town's net position represent resources that are restricted in use, and **\$1,476,192** (or **10%**) are in unrestricted net position that may be used to meet the on-going obligations to Auburn citizens and creditors.

At the year ended December 31, 2021, the Town of Auburn is able to report:

Town of Auburn
Table 1 Statement of Net Position

	<u>2021</u>	<u>2020</u>	Change	% Change
Current assets ***	\$ 5,579,236	\$ 4,983,144	596,092	12.0%
Capital assets, net	12,772,132	12,666,225	105,907	0.8%
Total Assets	18,351,368	17,649,369	701,999	4.0%
Deferred Outflows of Resources	727,844	1,023,144	(295,300)	-28.9%
Long-term liabilities	3,516,698	4,463,954	(947,256)	-21.2%
Other liabilities ***	241,222	178,886	62,336	34.8%
Total Liabilities	3,757,920	4,642,840	(884,920)	-19.1%
Deferred Inflows of Resources	955,335	351,907	603,428	171.5%
Net Position:				
Net investment in capital assets	12,681,119	12,445,824	235,295	1.9%
Restricted	208,646	209,081	(435)	-0.2%
Unrestricted	1,476,192	1,022,861	453,331	44.3%
Total Net Position	\$ 14,365,957	\$ 13,677,766	688,191	5.0%

During year 2021, the Town's net position increased by \$688,191 (5%).

Town of Auburn
Table 2 Statement of Activities

	2021	2020	Change
Revenues:			
Program revenues:			
Charges for services	\$ 118,557	\$ 177,493	\$ (58,936)
Operating grants and contributions	217,383	363,905	(146,522)
Capital grants and contributions	45,622		
General revenues:			
Taxes	3,152,222	3,172,424	(20,202)
Licenses and permits	2,062,036	2,028,284	33,752
Intergovernmental	419,832	324,566	95,266
Interest and investment earnings	6,392	26,720	(20,328)
Miscellaneous	97,965	34,703	63,262
Total Revenues	6,120,009	6,128,095	(53,708)
Program Expenses:			
General government	1,292,205	1,426,683	(134,478)
Public safety	2,116,617	2,440,854	(324,237)
Highways and streets	1,545,977	1,346,551	199,426
Sanitation	28,446	31,814	(3,368)
Health and welfare	29,046	44,634	(15,588)
Culture and recreation	416,518	372,436	44,082
Conservation	2,517	161,020	(158,503)
Interest and fiscal charges	5,047	9,335	(4,288)
Total Expenses	5,436,373	5,833,327	(396,954)
Excess before gain on disposal of capital assets	683,636	294,768	343,246
Gain on disposal of capital assets	4,555	5,313	(758)
Change in net position	688,191	300,081	\$ 342,488
Net Position - beginning of the year	13,677,766	13,377,685	
Net Position - end of year	\$ 14,365,957	\$ 13,677,766	

Financial Analysis of Governmental Funds

The general fund is the central operating fund of the Town of Auburn. The focus of Auburn's governmental funds is to provide information on inflows, outflows and balances of expendable resources available for Town operations and services at the end of each reporting year.

At the end of the current reporting year, Auburn's governmental funds reported a combined ending fund balance of **\$5,065,555**. Of this combined fund balance, **4% (\$186,805)** is nonspendable, **2% (\$109,024)** is restricted, **32% (\$1,599,256)** is committed, and **5% (\$241,127)** is assigned, with a remaining balance of **57% (\$2,929,343)** is unassigned fund balance at year end.

As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to the total fund expenditures. The general fund expenditures and other financing uses for this reporting year totaled **\$5,680,586**. The general fund unassigned fund balance was **\$2,929,343** which represents **52%** of the total expenditures and other financing uses in the current year.

General Fund Budgetary Highlights

In the current reporting year, the Town of Auburn's general fund had a favorable variance in the estimated governmental activity revenue versus actual in the amount of **\$239,897**, **4%** more than estimated revenues. The largest contributing factor being intergovernmental revenues related to coronavirus relief funds provided by the federal government and passed through the State of NH.

The Town of Auburn's general fund had a favorable variance in appropriations versus actual expenditures in the amount of **\$139,059** or **2.4%** of appropriations. Most departments contributed to this favorable variance by keeping expenditures under appropriations as a result of conservative spending efforts.

Capital Asset and Debt Administration

The Town of Auburn's capital assets for its governmental type activities net of accumulated depreciation as of December 31, 2021 was **\$12,772,132**, an increase of **\$110,462** over the prior year, representing the net difference between current year capital additions and acquisitions of \$836,205 and depreciation on existing capital assets of \$725,743.

At the end of the current reporting year, the Town of Auburn had **\$3,516,698** in long-term liabilities. Of this amount, capital leases for the purchase of fire and police vehicles totaled **\$91,013**, additionally, **\$200,000** is for landfill closure and post closure cost, **\$146,092** is for accrued vacation time, **\$2,613,110** is for the net pension liability, and **\$269,132** is the liability for OPEB.

Economic Factors and Next Year's Budget and Tax Rates

When creating the budget from year to year, the Town of Auburn's primary objective is to provide quality services to its citizens, at the same time attempting to keep the tax rate stable.

The Town of Auburn continues to be financially strong and again has seen growth in net property values. Net property values for 2021 are \$886,024,130 which is an increase of \$11,052,253 or 1.3% from the prior year.

The Town continues to work under PILOT (payment in lieu of taxes) agreement with Manchester Water Works. The agreement allows for a COLA increase beginning in 2019. The increase for 2021 was \$3,427. In 2011 Manchester Water Works revenue accounted for 35% of all revenue (excluding property taxes); in 2021 Manchester Water Works revenue accounted for approximately 11% of all general fund revenue (excluding property taxes). Although it is never a positive action to receive less in revenue, Manchester Water Works has a lesser impact on the Town's finances.

The Town still remains in non-compliance with reporting on the Town's single employer OPEB obligations, which is the implied amount of potential rate increases for current employee health insurance for allowing retirees to remain on the Town health care coverage. The amount not reported in the financial statements is still believed to be minimal, as the Town does not pay towards retiree health insurance cost and only two retirees on health care coverage. As the Town grows, this may not always be the true.

Additional Financial Information

The purpose of the financial report is to provide a general overview to all those who have an interest in the Town of Auburn's finances. Questions concerning any of the information provided within this report or requests for additional information can be addressed to the Finance Director, Town of Auburn, PO Box 309, Auburn, NH 03032.

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

	Governmental <u>Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 3,423,364
Investments	1,942,765
Taxes receivable, net	120,581
Accounts receivable	5,343
Prepaid items	<u>87,183</u>
Total Current Assets	<u>5,579,236</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	2,322,465
Depreciable capital assets, net	<u>10,449,667</u>
Total Noncurrent Assets	<u>12,772,132</u>
Total Assets	<u>18,351,368</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to OPEB	13,982
Deferred outflows of resources related to pension	<u>713,862</u>
Total Deferred Outflows of Resources	<u>727,844</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	149,010
Accrued liabilities	92,212
Advances from grantors	197,351
Current portion of capital leases payable	44,628
Current portion of estimated liability for landfill postclosure care costs	<u>10,000</u>
Total Current Liabilities	<u>493,201</u>
Noncurrent Liabilities:	
Capital leases payable	46,385
Compensated absences payable	146,092
OPEB liability	269,132
Net pension liability	2,613,110
Estimated liability for landfill postclosure care costs	<u>190,000</u>
Total Noncurrent Liabilities	<u>3,264,719</u>
Total Liabilities	<u>3,757,920</u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes collected in advance	14,947
Deferred inflows of resources related to OPEB	3,418
Deferred inflows of resources related to pension	<u>936,970</u>
Total Deferred Inflows of Resources	<u>955,335</u>
NET POSITION	
Net investment in capital assets	12,681,119
Restricted	208,646
Unrestricted	<u>1,476,192</u>
Total Net Position	<u>\$ 14,365,957</u>

See accompanying notes to the basic financial statements

EXHIBIT B
TOWN OF AUBURN, 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>Capital Grants and Contributions</u>	
Governmental Activities:					
General government	\$ 1,292,205	\$ 27,693	\$ 6,065		\$ (1,258,447)
Public safety	2,116,617	88,139	39,208	\$ 24,132	(1,965,138)
Highways and streets	1,545,977		164,374		(1,381,603)
Sanitation	28,446				(28,446)
Health and welfare	29,046				(29,046)
Culture and recreation	416,518	2,725	7,736	21,490	(384,567)
Conservation	2,517				(2,517)
Interest and fiscal charges	5,047				(5,047)
Total governmental activities	<u>\$ 5,436,373</u>	<u>\$ 118,557</u>	<u>\$ 217,383</u>	<u>\$ 45,622</u>	<u>(5,054,811)</u>
General revenues:					
Property and other taxes					3,152,222
Licenses and permits					2,062,036
Grants and contributions:					
Rooms and meals tax distribution					419,832
Interest and investment earnings					6,392
Miscellaneous					107,075
Net loss on disposal of capital assets					<u>(4,555)</u>
Total general revenues and net loss on disposal of capital assets					<u>5,743,002</u>
Change in net position					688,191
Net Position at beginning of year					<u>13,677,766</u>
Net Position at end of year					<u>\$ 14,365,957</u>

See accompanying notes to the basic financial statements

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

	General Fund	Conservation Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 2,557,559	\$ 719,118	\$ 146,687	\$ 3,423,364
Investments	1,942,765			1,942,765
Taxes receivable, net	120,581			120,581
Accounts receivable			5,343	5,343
Due from other funds		257,850	180,075	437,925
Prepaid items	87,183			87,183
Total Assets	<u>4,708,088</u>	<u>976,968</u>	<u>332,105</u>	<u>6,017,161</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 4,708,088</u>	<u>\$ 976,968</u>	<u>\$ 332,105</u>	<u>\$ 6,017,161</u>
LIABILITIES				
Accounts payable	\$ 149,010			\$ 149,010
Accrued liabilities	90,021			90,021
Due to other funds	437,925			437,925
Advances from grantors	197,351			197,351
Total Liabilities	<u>874,307</u>	<u>\$ -</u>	<u>\$ -</u>	<u>874,307</u>
DEFERRED INFLOWS OF RESOURCES				
Uncollected property taxes	44,027			44,027
Property taxes collected in advance	14,947			14,947
Uncollected betterment taxes	18,325			18,325
Total Deferred Inflows of Resources	<u>77,299</u>	<u>-</u>	<u>-</u>	<u>77,299</u>
FUND BALANCES				
Nonspendable	87,183		99,622	186,805
Restricted	61,959		47,065	109,024
Committed	436,870	976,968	185,418	1,599,256
Assigned	241,127			241,127
Unassigned	2,929,343			2,929,343
Total Fund Balances	<u>3,756,482</u>	<u>976,968</u>	<u>332,105</u>	<u>5,065,555</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 4,708,088</u>	<u>\$ 976,968</u>	<u>\$ 332,105</u>	<u>\$ 6,017,161</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1
TOWN OF AUBURN, 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)	\$ 5,065,555
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.	12,772,132
Taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis.	44,027
Betterment tax assessments not available to pay for current period expenditures are reported as deferred inflows of resources in the governmental funds.	18,325
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	13,982
Deferred outflows of resources related to net pension liability	713,862
Deferred inflows of resources related to OPEB liability	(3,418)
Deferred inflows of resources related to net pension liability	(936,970)
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:	
Capital leases payable	(91,013)
Accrued interest on long-term obligations	(2,191)
Compensated absences payable	(146,092)
OPEB liability	(269,132)
Net pension liability	(2,613,110)
Estimated liability for landfill postclosure care costs	<u>(200,000)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 14,365,957</u>

See accompanying notes to the basic financial statements

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

	General <u>Fund</u>	Conservation <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:				
Taxes	\$ 3,159,732	\$ 66,000		\$ 3,225,732
Licenses and permits	2,062,036			2,062,036
Intergovernmental	682,837			682,837
Charges for services	45,463		\$ 73,094	118,557
Interest and investment income	5,180	1,046	166	6,392
Miscellaneous	71,331		35,744	107,075
Total Revenues	<u>6,026,579</u>	<u>67,046</u>	<u>109,004</u>	<u>6,202,629</u>
Expenditures:				
Current operations:				
General government	1,344,955			1,344,955
Public safety	2,016,812		74,630	2,091,442
Highways and streets	1,067,001			1,067,001
Sanitation	18,446			18,446
Health and welfare	29,046			29,046
Culture and recreation	343,898		32,587	376,485
Conservation	2,517			2,517
Capital outlay	736,023			736,023
Debt service:				
Principal retirement	113,521			113,521
Interest and fiscal charges	8,367			8,367
Total Expenditures	<u>5,680,586</u>	<u>-</u>	<u>107,217</u>	<u>5,787,803</u>
Net change in fund balances	345,993	67,046	1,787	414,826
Fund Balances at beginning of year	<u>3,410,489</u>	<u>909,922</u>	<u>330,318</u>	<u>4,650,729</u>
Fund Balances at end of year	<u>\$ 3,756,482</u>	<u>\$ 976,968</u>	<u>\$ 332,105</u>	<u>\$ 5,065,555</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1
TOWN OF AUBURN, 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)	\$ 414,826
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. Capital outlay and depreciation expense in the current year are as follows:	
Capital outlay	836,205
Depreciation expense	(725,743)
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 net loss on the disposals of capital assets reduced by the actual proceeds received from the disposal.	(4,555)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(73,510)
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.	129,388
In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds, an interest expenditure is reported when due.	3,320
Some expenses reported in the statement of activities, such as compensated absences and estimated landfill postclosure care costs, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.	(9,732)
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	14,132
Net changes in pension	<u>103,860</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ 688,191</u>

See accompanying notes to the basic financial statements

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

	Private- Purpose <u>Trust Funds</u>	Custodial <u>Funds</u>
ASSETS		
Cash and cash equivalents	\$ 19,968	\$ 5,652,106
Taxes receivable		<u>214,160</u>
Total Assets	<u>19,968</u>	<u>5,866,266</u>
LIABILITIES		
Accounts payable		1,208
Due to other governments		<u>5,357,831</u>
Total Liabilities	<u>-</u>	<u>5,359,039</u>
NET POSITION		
Restricted for:		
Individuals and other governments	<u>19,968</u>	<u>507,227</u>
Total Net Position	<u>\$ 19,968</u>	<u>\$ 507,227</u>

See accompanying notes to the basic financial statements

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

	Private- Purpose <u>Trust Funds</u>	Custodial <u>Funds</u>
ADDITIONS:		
Investment earnings:		
Interest income	\$ 23	\$ 490
Total Investment earnings	<u>23</u>	<u>490</u>
Property tax collections for other governments		13,136,808
Motor vehicle fee collections for other governments		537,504
Miscellaneous		76,876
Total Additions	<u>23</u>	<u>13,751,678</u>
DEDUCTIONS:		
Beneficiary payments to individuals	1,000	208,149
Payments of property tax to other governments		13,136,808
Payments of motor vehicle fees to other governments		537,504
Total Deductions	<u>1,000</u>	<u>13,882,461</u>
Change in net position	(977)	(130,783)
Net Position at the beginning of year	<u>20,945</u>	<u>638,010</u>
Net Position at the end of year	<u>\$ 19,968</u>	<u>\$ 507,227</u>

See accompanying notes to the basic financial statements

**TOWN OF AUBURN, 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 Auburn, 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 Auburn, New Hampshire (the Town) was incorporated in 1845. 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 AUBURN, 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 are the Town's major governmental funds:

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

The *Conservation Fund* is used to account for financial resources associated with conservation efforts of the Town.

2. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments and are therefore not available to support the Town's own programs. The Town maintains private-purpose trust funds which account for monies designated to benefit individuals within the Town. Custodial funds are used to account for amounts collected by the Town and remitted to other individuals or governments. These assets are therefore not available to support the Town's own programs. The Town's custodial funds account for the property taxes collected on behalf of the Auburn School District and Rockingham County, motor vehicle fees collected on behalf of the State of New Hampshire, and the capital reserve funds of the Auburn School District, which are held by the Town as required by State law. Other custodial funds consist of developer's performance deposits.

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

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

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

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

Basis of Accounting

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

1. Revenues – Exchange and Non-exchange Transactions:

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

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 12). Revenue from grants, entitlements, and donations, are 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.

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

2. Expenses/Expenditures:

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

Budgetary Data

The Town's budget represents functional appropriations as authorized by annual or special Town meetings. The 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 applied \$50,000 of its unappropriated fund balance to reduce taxes.

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 a reserve for estimated uncollectible taxes of \$35,000.

Betterment Taxes Receivable

Betterment assessment taxes charged to certain residents for waterline replacement during the current and prior years that will be collected in future periods are recorded as receivables and deferred inflows of resources in the governmental fund financial statements. The revenue is recognized when assessed 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 \$5,000. The Town is not required to retroactively report its general infrastructure. The Town's infrastructure consists of roads and similar items. Infrastructure records have been maintained effective January 1, 2004 and are included in these financial statements. Intangible assets of the Town consist of land easements and software (other

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

intangible assets). 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.

All reported capital assets except for land, land easements 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>
Land improvements	10
Buildings and improvements	10-25
Machinery, vehicles and equipment	4-10
Other intangible assets	5
Infrastructure	25

Compensated Absences

Employees can accumulate earned time as they provide services. Dependent upon the years of service, employees accrue earned time at a rate of eleven to twenty-six days per year. Pursuant to Town personnel policy and certain union agreements, upon voluntary separation of employment from the Town, employees shall be compensated for unused earned time (subject to certain maximum limitations) at current rates of pay.

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

Accrued Liabilities and Long-Term Obligations

Except for the obligation for certain other 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. 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.

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

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***: Includes funds legally restricted for 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 determined 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 the governing body taking the same formal action that imposed the constraint originally. The governing body's actions must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.
- ***Assigned Fund Balance***: Amounts the Town intends to use for specific purposes. For all governmental funds other than the General Fund, any remaining positive fund balance is to be classified as "Assigned". All appropriations shall lapse at the end of the fiscal year unless authorized with the provision of RSA 32:7.
- ***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 AUBURN, 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.

Deficit Fund Balance

At year end, if any of the special revenue funds have a deficit unassigned fund balance, the Selectmen are authorized to transfer funds from the General Fund to cover the deficit, providing the General Fund has enough resources to do so. The Town will follow the provisions of the State Municipal Budget Law in emergency situations which may cause an over expenditure of total appropriations.

Minimum Level of Unassigned Fund Balance

As recommended by the NH Department of Revenue Administration, the Town will strive to maintain an unassigned fund balance in the General Fund equal to 8-17% of the total annual appropriations or 5-15% of regular General Fund operating revenue. The Selectmen have the authority to apply unassigned fund balance in order to balance the budget and reduce property tax rates.

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 No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASBS 75) as it pertains to its single employer OPEB plan. GASBS 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 GASBS 75 were required to be implemented by the Town during the year ended December 31, 2018. The Town has only implemented the provisions of GASBS 75 as it pertains to its cost-sharing multiple-employer defined benefit OPEB plan (see Note 6).

TOWN OF AUBURN, 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	\$ 3,423,364
Investments	1,942,765
Statement of Fiduciary Net Position:	
Cash and cash equivalents	<u>5,672,074</u>
	<u>\$ 11,038,203</u>

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

Cash on hand	\$ 326
Deposits with financial institutions	9,095,112
Investments	<u>1,942,765</u>
	<u>\$ 11,038,203</u>

The Town's investment policy for governmental funds requires that deposits be made in the New Hampshire Public Deposit Investment Pool (NHPDIP), 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. Funds may be deposited in federally insured banks outside the state if such banks pledge and deliver to a third-party custodial bank or the federal reserve bank collateral security for such deposits. 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.

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 based on the prudent person principal to ensure capital preservation and protection of investment principal while maintaining sufficient liquidity and seeking market-average rate of return.

As of December 31, 2021, the Town's investment in the NHPDIP, a state investment pool, of \$1,942,765 was rated *AAAm*.

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

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 secured by collateral having a market value at least equal to 102% of the amount deposited above the FDIC limits. Such collateral shall be held by a third-party custodian and segregated for the exclusive benefit of the Town.

Of the Town’s deposits with financial institutions at year end, \$8,657,355 was collateralized by securities held by Bank of New York Mellon with the Town as beneficiary.

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 pool shares.

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	\$ 908,731			\$ 908,731
Land easements	1,334,788			1,334,788
Construction in progress	600,667	\$ 3,988	\$ (525,709)	78,946
Total capital assets not being depreciated	<u>2,844,186</u>	<u>3,988</u>	<u>(525,709)</u>	<u>2,322,465</u>
Other capital assets:				
Land improvements	1,047,480			1,047,480
Buildings and improvements	2,180,300	103,290		2,283,590
Machinery, vehicles and equipment	3,146,914	95,490	(16,915)	3,225,489
Other intangible assets	29,072			29,072
Infrastructure	11,218,041	1,159,146		12,377,187
Total other capital assets at historical cost	<u>17,621,807</u>	<u>1,357,926</u>	<u>(16,915)</u>	<u>18,962,818</u>

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

Less accumulated depreciation for:

Land improvements	(742,646)	(31,210)		(773,856)
Buildings and improvements	(1,695,196)	(40,349)		(1,735,545)
Machinery, vehicles and equipment	(1,631,702)	(184,932)	12,360	(1,804,274)
Other intangible assets	(26,165)			(26,165)
Infrastructure	<u>(3,704,059)</u>	<u>(469,252)</u>		<u>(4,173,311)</u>
Total accumulated depreciation	<u>(7,799,768)</u>	<u>(725,743)</u>	<u>12,360</u>	<u>(8,513,151)</u>
Total other capital assets, net	<u>9,822,039</u>	<u>632,183</u>	<u>(4,555)</u>	<u>10,449,667</u>
Total capital assets, net	<u>\$ 12,666,225</u>	<u>\$ 636,171</u>	<u>\$ (530,264)</u>	<u>\$ 12,772,132</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 17,287
Public safety	193,167
Highways and streets	470,742
Culture and recreation	<u>44,547</u>
Total governmental activities depreciation expense	<u>\$ 725,743</u>

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

Machinery, vehicles and equipment	\$ 315,000
Less: Accumulated depreciation	<u>(35,438)</u>
	<u>\$ 279,562</u>

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:

	Balance 1/1/2021	Additions	Reductions	Balance 12/31/2021	Due Within One Year
Governmental activities:					
Capital leases payable	\$ 220,401		\$ (129,388)	\$ 91,013	\$ 44,628
Compensated absences payable	<u>146,360</u>	<u>\$ 17,795</u>	<u>(18,063)</u>	<u>146,092</u>	<u>\$ 44,628</u>
	<u>\$ 366,761</u>	<u>\$ 17,795</u>	<u>\$ (147,451)</u>	<u>\$ 237,105</u>	<u>\$ 44,628</u>

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

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.

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

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

Fire department apparatus, due in annual installments of \$48,213,
including interest at 3.94%, through March 2023 \$ 91,013

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

Year Ending <u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2022	\$ 44,628	\$ 3,585	\$ 48,213
2023	46,385	1,828	48,213
	<u>\$ 91,013</u>	<u>\$ 5,413</u>	<u>\$ 96,426</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.

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.

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

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%, respectively, through June 30, 2021, and 0.31% and 3.21%, respectively, thereafter. Contributions to the OPEB plan for the Town were \$30,397 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 \$269,132 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 0.0672 percent, which was an increase of 0.0027 percentage points from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Town recognized OPEB expense of \$16,229. At December 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience		\$ 56
Net difference between projected and actual earnings on OPEB plan investments		3,362
Changes in proportion and differences between Town contributions and proportionate share of contributions	\$ 99	
Town contributions subsequent to the measurement date	<u>13,883</u>	
Totals	<u>\$ 13,982</u>	<u>\$ 3,418</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 \$10,564. The Town reported \$13,883 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:

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

<u>June 30,</u>	
2022	\$ (726)
2023	(706)
2024	(792)
2025	<u>(1,095)</u>
	<u>\$ (3,319)</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.

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	<u>10%</u>	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 the 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

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

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

	1% Decrease <u>(5.75%)</u>	Current Discount rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Net OPEB liability	\$ 292,567	\$ 269,132	\$ 248,741

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.

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

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

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 firefighters 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 general employees, police officers and firefighters were 10.88%, 24.77% and 26.43%, respectively, through June 30, 2021, and 13.75%, 30.67% and 29.78%, respectively, thereafter. The Town contributes 100% of the employer cost for general employees, police officers and firefighters 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 pension contributions to the NHRS for the year ended December 31, 2021 were \$299,787.

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 \$2,613,110 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 0.0590 percent, which was an increase of approximately 0.0023 percentage points from its proportion measured as of June 30, 2020.

For the year ended December 31, 2021, the Town recognized pension expense of \$196,008. At December 31, 2021, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

TOWN OF AUBURN, 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	\$ 73,171	\$ 27,357
Change in assumptions	272,925	
Net difference between projected and actual earnings on pension plan investments		730,827
Changes in proportion and differences between Town contributions and share of contributions	205,965	178,786
Town contributions subsequent to the measurement date	<u>161,801</u>	
Totals	<u>\$ 713,862</u>	<u>\$ 936,970</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 \$223,108. The Town reported \$161,801 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 inflows of resources related to pension will be recognized as pension expense in the measurement periods as follows:

<u>June 30</u>	
2022	\$ (27,033)
2023	(46,469)
2024	(95,155)
2025	<u>(216,252)</u>
	<u>\$ (384,909)</u>

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.

TOWN OF AUBURN, 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 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.

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

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

	1% Decrease <u>(5.75%)</u>	Discount rate <u>(6.75%)</u>	1% Increase <u>(7.75%)</u>
Town's proportionate share of the net pension liability	\$ 3,737,046	\$ 2,613,110	\$ 1,675,564

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

NOTE 8—LANDFILL POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. An estimated liability has been recorded based on the future postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of \$200,000 as of December 31, 2021. The Town’s landfill was capped during the year ending December 31, 1999. The estimated total current cost of the landfill postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of December 31, 2021. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The remaining postclosure care costs are expected to be financed through annual taxation.

The following is a summary of changes in the estimated liability for postclosure care costs for the year ended December 31, 2021:

Balance - January 1, 2021	\$ 190,000
Expenditures recognized in the General Fund	(11,700)
Change in estimated liability	<u>21,700</u>
Balance - December 31, 2021	<u>\$ 200,000</u>

NOTE 9—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 from General Fund
Due to	Conservation Fund	\$ 257,850
	Nonmajor Governmental Funds	<u>180,075</u>
		<u>\$ 437,925</u>

NOTE 10—RESTRICTED NET POSITION

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

Permanent Funds - Principal	\$ 99,622
Permanent Funds - Income	47,065
Library funds	<u>61,959</u>
	<u>\$ 208,646</u>

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

NOTE 11—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>Conservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid items	\$ 87,183			\$ 87,183
Permanent funds - Principal			\$ 99,622	99,622
Restricted for:				
Library funds	61,959			61,959
Permanent funds - Income			47,065	47,065
Committed for:				
Expendable trusts	415,865			415,865
Auburn development authority	21,005			21,005
Conservation		\$ 976,968		976,968
Police details			172,173	172,173
Recreation revolving fund			13,245	13,245
Assigned for:				
Subsequent year appropriations	55,000			55,000
Encumbrances	186,127			186,127
Unassigned:				
Unassigned - General operations	2,929,343			2,929,343
	<u>\$ 3,756,482</u>	<u>\$ 976,968</u>	<u>\$ 332,105</u>	<u>\$ 5,065,555</u>

NOTE 12—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$886,024,130 as of April 1, 2021) and are due in two installments on July 7, 2021 and December 8, 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 Auburn School District and Rockingham County, both 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 \$12,357,831 and \$778,977, for the Auburn School District and Rockingham County, respectively. These taxes are recognized in these financial statements within the fiduciary funds only. The Town bears responsibility for uncollected taxes.

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

NOTE 13—RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 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.

Worker's Compensation

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

NOTE 14—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 AUBURN, 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	\$ 3,009,958	\$ 3,009,958	\$ 3,086,222	\$ 76,264
Licenses and permits	2,025,000	2,025,000	2,062,036	37,036
Intergovernmental	584,840	584,840	682,837	97,997
Charges for services	45,000	45,000	45,463	463
Interest income	26,000	26,000	4,712	(21,288)
Miscellaneous	15,000	15,000	64,425	49,425
Total Revenues	<u>5,705,798</u>	<u>5,705,798</u>	<u>5,945,695</u>	<u>239,897</u>
Expenditures:				
Current operations:				
General government	1,461,687	1,461,687	1,347,722	113,965
Public safety	2,015,946	2,015,946	1,998,639	17,307
Highways and streets	1,113,387	1,113,387	1,121,865	(8,478)
Sanitation	20,151	20,151	18,446	1,705
Health and welfare	50,887	50,887	29,046	21,841
Culture and recreation	353,679	353,679	327,807	25,872
Conservation	6,149	6,149	3,643	2,506
Capital outlay	694,801	694,801	729,483	(34,682)
Debt service:				
Principal retirement	120,909	120,909	113,521	7,388
Interest and fiscal charges	2	2	8,367	(8,365)
Total Expenditures	<u>5,837,598</u>	<u>5,837,598</u>	<u>5,698,539</u>	<u>139,059</u>
Excess revenues over (under) expenditures	<u>(131,800)</u>	<u>(131,800)</u>	<u>247,156</u>	<u>378,956</u>
Other financing sources (uses):				
Transfers in			103	103
Transfers out	<u>(185,000)</u>	<u>(185,000)</u>	<u>(185,000)</u>	<u>-</u>
Total Other financing sources (uses)	<u>(185,000)</u>	<u>(185,000)</u>	<u>(184,897)</u>	<u>103</u>
Net change in fund balance	(316,800)	(316,800)	62,259	379,059
Fund Balance at beginning of year				
- Budgetary Basis	<u>3,069,718</u>	<u>3,069,718</u>	<u>3,069,718</u>	<u>-</u>
Fund Balance at end of year				
- Budgetary Basis	<u>\$ 2,752,918</u>	<u>\$ 2,752,918</u>	<u>\$ 3,131,977</u>	<u>\$ 379,059</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

TOWN OF AUBURN, NEW HAMPSHIRE

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

For the Year Ended December 31, 2021

Measurement Period Ended	Cost-Sharing Multiple Employer Plan Information Only				
	Town's Proportion of the Net OPEB Liability	Town's Proportionate Share of the Net OPEB Liability	Town's Covered Payroll	Town's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
June 30, 2021	0.06720616%	\$ 269,132	\$ 1,412,545	19.05%	11.06%
June 30, 2020	0.06449979%	\$ 282,321	\$ 1,283,843	21.99%	7.74%
June 30, 2019	0.07961706%	\$ 349,050	\$ 1,359,651	25.67%	7.75%
June 30, 2018	0.07186720%	\$ 329,041	\$ 1,235,569	26.63%	7.53%
June 30, 2017	0.04424661%	\$ 202,311	\$ 1,126,540	17.96%	7.91%
June 30, 2016	0.04767485%	\$ 230,796	\$ 1,205,000	19.15%	5.21%
June 30, 2015	*	*	*	*	*
June 30, 2014	*	*	*	*	*
June 30, 2013	*	*	*	*	*
June 30, 2012	*	*	*	*	*

* 10 Year schedule, historical information not available

Measurement Periods	Significant Actuarial Assumptions				
	Inflation	Salary Increases	Investment Rate of Return	Mortality Table	Mortality Scale
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

See accompanying notes to the required supplementary information

SCHEDULE 3
TOWN OF AUBURN, 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	\$ 30,397	\$ (30,397)	\$ -	\$ 1,398,058	2.17%
December 31, 2020	\$ 31,003	\$ (31,003)	\$ -	\$ 1,350,937	2.29%
December 31, 2019	\$ 33,801	\$ (33,801)	\$ -	\$ 1,352,517	2.50%
December 31, 2018	\$ 33,269	\$ (33,269)	\$ -	\$ 1,275,653	2.61%
December 31, 2017	\$ 29,094	\$ (29,094)	\$ -	\$ 1,184,358	2.46%
December 31, 2016	\$ 25,783	\$ (25,783)	\$ -	\$ 1,127,289	2.29%
December 31, 2015	*	*	*	*	*
December 31, 2014	*	*	*	*	*
December 31, 2013	*	*	*	*	*
December 31, 2012	*	*	*	*	*

* 10 Year schedule, historical information not available

See accompanying notes to the required supplementary information

SCHEDULE 4

TOWN OF AUBURN, 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	0.05896114%	\$ 2,613,110	\$ 1,412,545	184.99%	72.22%
June 30, 2020	0.05667271%	\$ 3,624,872	\$ 1,283,843	282.35%	58.72%
June 30, 2019	0.06299554%	\$ 3,031,128	\$ 1,359,651	222.93%	65.59%
June 30, 2018	0.05795541%	\$ 2,790,670	\$ 1,235,569	225.86%	64.73%
June 30, 2017	0.05475219%	\$ 2,692,709	\$ 1,126,540	239.02%	62.66%
June 30, 2016	0.05948072%	\$ 3,162,944	\$ 1,205,000	262.48%	58.30%
June 30, 2015	0.05624891%	\$ 2,228,316	\$ 1,136,841	196.01%	65.47%
June 30, 2014	0.05487400%	\$ 2,059,870	\$ 1,070,004	192.51%	66.32%
June 30, 2013	0.05461320%	\$ 2,350,434	\$ 1,050,130	223.82%	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 AUBURN, 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	\$ 299,787	\$ (299,787)	\$ -	\$ 1,398,058	21.44%
December 31, 2020	\$ 260,272	\$ (260,272)	\$ -	\$ 1,350,937	19.27%
December 31, 2019	\$ 266,888	\$ (266,888)	\$ -	\$ 1,352,517	19.73%
December 31, 2018	\$ 254,554	\$ (254,554)	\$ -	\$ 1,275,653	19.95%
December 31, 2017	\$ 223,326	\$ (223,326)	\$ -	\$ 1,184,358	18.86%
December 31, 2016	\$ 207,322	\$ (207,322)	\$ -	\$ 1,127,289	18.39%
December 31, 2015	\$ 197,818	\$ (197,818)	\$ -	\$ 1,155,134	17.13%
December 31, 2014	\$ 182,148	\$ (182,148)	\$ -	\$ 1,093,806	16.65%
December 31, 2013	\$ 154,765	\$ (154,765)	\$ -	\$ 1,047,696	14.77%
December 31, 2012	*	*	*	*	*

* 10 Year schedule, historical information not available

See accompanying notes to the required supplementary information

TOWN OF AUBURN, 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, budgetary transfers in and out, and encumbrances as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 6,026,579	\$ 5,680,586
Difference in property taxes meeting susceptible to accrual criteria	(73,510)	
Non-budgetary revenues and expenditures	(7,374)	(45,471)
Budgetary transfers in and out	103	185,000
Encumbrances - December 31, 2021		186,127
Encumbrances - December 31, 2020		(122,703)
Per Schedule 1	<u>\$ 5,945,798</u>	<u>\$ 5,883,539</u>

Major Special Revenue Fund

The Town adopts its budget under regulations of the New Hampshire Department of Revenue Administration which differs from accounting principles generally accepted in the United States of America. Consequently, budgetary information is not presented for the Conservation Fund as the information is neither practical nor meaningful.

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

	Special Revenue Funds				
	Police Detail <u>Fund</u>	Recreation Revolving <u>Fund</u>	Total Special Revenue <u>Funds</u>	Permanent <u>Funds</u>	Combining <u>Totals</u>
ASSETS					
Cash and cash equivalents				\$ 146,687	\$ 146,687
Accounts receivable	\$ 5,343		\$ 5,343		5,343
Due from other funds	166,830	\$ 13,245	180,075		180,075
Total Assets	<u>172,173</u>	<u>13,245</u>	<u>185,418</u>	<u>146,687</u>	<u>332,105</u>
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 172,173</u>	<u>\$ 13,245</u>	<u>\$ 185,418</u>	<u>\$ 146,687</u>	<u>\$ 332,105</u>
LIABILITIES					
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES					
Total Deferred Inflows of Resources	-	-	-	-	-
FUND BALANCES					
Nonspendable				99,622	99,622
Restricted				47,065	47,065
Committed	172,173	13,245	185,418		185,418
Total Fund Balances	<u>172,173</u>	<u>13,245</u>	<u>185,418</u>	<u>146,687</u>	<u>332,105</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 172,173</u>	<u>\$ 13,245</u>	<u>\$ 185,418</u>	<u>\$ 146,687</u>	<u>\$ 332,105</u>

SCHEDULE B
TOWN OF AUBURN, 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 Funds			Permanent Funds	Combining Totals
	Police Detail Fund	Recreation Revolving Fund	Total Special Revenue Funds		
Revenues:					
Charges for services	\$ 73,094		\$ 73,094		\$ 73,094
Interest and investment income				\$ 166	166
Miscellaneous		\$ 35,744	35,744		35,744
Total Revenues	<u>73,094</u>	<u>35,744</u>	<u>108,838</u>	<u>166</u>	<u>109,004</u>
Expenditures:					
Current operations:					
Public safety	74,630		74,630		74,630
Culture and recreation		32,587	32,587		32,587
Total Expenditures	<u>74,630</u>	<u>32,587</u>	<u>107,217</u>	<u>-</u>	<u>107,217</u>
Net change in fund balances	(1,536)	3,157	1,621	166	1,787
Fund Balances at beginning of year	<u>173,709</u>	<u>10,088</u>	<u>183,797</u>	<u>146,521</u>	<u>330,318</u>
Fund Balances at end of year	<u>\$ 172,173</u>	<u>\$ 13,245</u>	<u>\$ 185,418</u>	<u>\$ 146,687</u>	<u>\$ 332,105</u>