

TOWN OF CANAAN, NEW HAMPSHIRE

Financial Statements

December 31, 2020

and

Independent Auditor's Report

**TOWN OF CANAAN, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2020**

TABLE OF CONTENTS

| | <u>Page(s)</u> |
|---|----------------|
| INDEPENDENT AUDITOR’S REPORT | |
| MANAGEMENT’S DISCUSSION AND ANALYSIS | i-ix |
| BASIC FINANCIAL STATEMENTS | |
| EXHIBITS: | |
| A Statement of Net Position | 1 |
| B Statement of Activities | 2 |
| C Balance Sheet – Governmental Funds | 3 |
| C-1 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position | 4 |
| D Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds | 5 |
| D-1 Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 6 |
| E Statement of Net Position – Proprietary Funds | 7 |
| F Statement of Revenues, Expenses and Changes in Net Position – Proprietary Funds | 8 |
| G Statement of Cash Flows – Proprietary Funds | 9 |
| H Statement of Fiduciary Net Position – Fiduciary Funds | 10 |
| I Statement of Changes in Fiduciary Net Position – Fiduciary Funds | 11 |
| NOTES TO BASIC FINANCIAL STATEMENTS | 12-35 |

**TOWN OF CANAAN, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2020**

TABLE OF CONTENTS (CONTINUED)

| | <u>Page(s)</u> |
|--|----------------|
| REQUIRED SUPPLEMENTARY INFORMATION | |
| SCHEDULES: | |
| 1 Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund | 36 |
| 2 Schedule of Changes in the Town's Proportionate Share of the Net OPEB Liability | 37 |
| 3 Schedule of Town OPEB Contributions | 38 |
| 4 Schedule of Changes in the Town's Proportionate Share of the Net Pension Liability | 39 |
| 5 Schedule of Town Pension Contributions | 40 |
| NOTES TO REQUIRED SUPPLEMENTARY INFORMATION | 41-42 |
| SUPPLEMENTAL SCHEDULES | |
| SCHEDULES: | |
| A Combining Balance Sheet – Governmental Funds – All Nonmajor Funds | 43 |
| B Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds – All Nonmajor Funds | 44 |

INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Canaan, New Hampshire

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on Governmental Activities, Business-Type Activities, Water Fund and Sewer Fund

As discussed in Note 2 to the financial statements, management has not recorded a liability, deferred outflows of resources, or deferred inflows of resources for the Town's single employer other postemployment benefits plan in governmental activities, business-type activities, water fund and sewer fund, and, accordingly, has not recorded an expense for the current period change. 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 and deferred inflows of resources, reduce the net position, and change the expenses of the governmental activities, business-type activities, water fund, and sewer fund. The amount by which this departure would affect the liabilities, deferred outflows and deferred inflows of resources, net position, and expenses of the governmental activities, business-type activities, water fund, and sewer fund is not reasonably determinable.

Adverse Opinions

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities, Business-Type Activities, Water Fund and Sewer Fund" paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities, business-type activities, water fund, and sewer fund of the Town of Canaan, New Hampshire, as of December 31, 2020, or the changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each major fund other than the water fund and sewer fund, and the aggregate remaining fund information of the Town of Canaan, New Hampshire, as of December 31, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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 on pages i-ix and 36-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information

because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Nashon Clukay & Company PC

Manchester, New Hampshire
December 9, 2021

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2020

Presented herewith please find the Management Discussion & Analysis Report for the Town of Canaan for the year ending December 31, 2020. The responsibility for accuracy of the data, the completeness and fairness of this documentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in material aspects. This report and its content have been designed to fairly present the Town's financial position, including the result of operations of all the funds of the Town. All the disclosures necessary to enable and to assist the reader in acquiring an accurate understanding of the Town's financial activities have been included.

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

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the Town of Canaan using the integrated approach as prescribed by GASB Statement 34.

This discussion and analysis is intended to serve as an introduction to the Town of Canaan's financial statements. The basic financial statements comprise three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to most private-sector companies. These statements (Statement of Net Position and the Statement of Activities) provide both short-term and long-term information about the Town's overall financial position. These statements are prepared using the accrual basis of accounting.

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

The Statement of Activities presents information showing how the Town's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future periods (such as uncollected taxes and interest on long-term obligations).

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2020

Both of the government-wide financial statements have separate sections for two types of activities:

Governmental activities – represent most of the Town's basic services.

Business-type activities – account for the Town's water and sewer operations and receive a majority of their revenue from user fees.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain the control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. The Town maintains three fund types: governmental, proprietary, and fiduciary funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, our readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net position and statement of activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances for the General Fund and the Permanent Funds which are considered major funds. Other governmental funds are aggregated as nonmajor funds.

The Town adopts an annual budget for its governmental funds. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds provide water and sewer services to customers and charge a user fee. They are presented on the accrual basis of accounting.

Fiduciary funds are used to account for resources held for the benefit of parties outside of town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs.

Notes to the Basic Financial Statements

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

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2020

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the Town's major governmental fund and includes a reconciliation between the reported activity of the General Fund's revenues, expenditures and transfers for budgetary purposes (Schedule 1) and the activity as presented in the governmental fund financial statements (Exhibit D). The Town's major governmental fund during 2020 with an adopted budget is the General Fund.

Other Supplementary Information

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

Government-Wide Financial Analysis

Governmental Activities

Statement of Net Position

Net position of the Town of Canaan's governmental activities as of December 31, 2020 and 2019 is as follows:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|---------------------|---------------------|
| Capital and other assets: | | |
| Capital assets | \$ 3,824,897 | \$ 3,968,962 |
| Other assets | <u>3,324,766</u> | <u>3,050,586</u> |
| Total assets | <u>7,149,663</u> | <u>7,019,548</u> |
| Deferred outflows related to OPEB | 9,689 | 8,997 |
| Deferred outflows related to pension | <u>669,550</u> | <u>206,491</u> |
| Total deferred outflows of resources | <u>679,239</u> | <u>215,488</u> |
| Long-term and other liabilities: | | |
| Long-term liabilities | 2,668,326 | 1,919,533 |
| Other liabilities | <u>348,452</u> | <u>631,696</u> |
| Total liabilities | <u>3,016,778</u> | <u>2,551,229</u> |
| Taxes collected in advance | 16,351 | 10,542 |
| Deferred inflows related to OPEB | 1,077 | 1,682 |
| Deferred inflows related to pension | <u>47,429</u> | <u>83,589</u> |
| Total deferred inflows of resources | <u>64,857</u> | <u>95,813</u> |
| Net position: | | |
| Net investment in capital assets | 3,824,897 | 3,968,962 |
| Restricted | 985,984 | 914,449 |
| Unrestricted | <u>(63,614)</u> | <u>(295,417)</u> |
| Total net position | <u>\$ 4,747,267</u> | <u>\$ 4,587,994</u> |

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2020

Approximately 80% of the Town's net position reflects the investment in capital assets such as land, buildings, infrastructure, and equipment less the outstanding debt used to acquire those assets. Another 20% of the net position is restricted in regards to how it may be used. For the Town of Canaan, those restrictions include those related to permanent trust funds and the unexpended balance of restricted grants and donations. The remaining unrestricted portion represents the part of net position available to finance day-to-day operations.

Statement of Activities

Changes in net position of the Town's governmental activities for the years ending December 31, 2020 and 2019 are as follows:

| | <u>2020</u> | <u>2019</u> |
|---|---------------------|---------------------|
| Program revenues: | | |
| Charges for services | \$ 257,064 | \$ 358,874 |
| Operating grants and contributions | 539,797 | 245,512 |
| Capital grants and contributions | <u>22,289</u> | <u>22,289</u> |
| Total program revenues | <u>796,861</u> | <u>626,675</u> |
| General revenues: | | |
| Property and other taxes | 2,632,172 | 2,584,197 |
| Licenses and permits | 829,095 | 788,580 |
| Intergovernmental revenue | 201,944 | 273,263 |
| Interest and investment earnings | 104,457 | 118,749 |
| Miscellaneous | <u>51,042</u> | <u>150,071</u> |
| Total general revenues | <u>3,818,710</u> | <u>3,914,860</u> |
| Total revenues | <u>4,615,571</u> | <u>4,541,535</u> |
| Program expenses: | | |
| General government | 1,302,456 | 1,572,777 |
| Public safety | 1,531,694 | 1,389,905 |
| Highways and streets | 1,054,549 | 1,102,266 |
| Sanitation | 263,856 | 221,651 |
| Health and welfare | 120,113 | 117,407 |
| Culture and recreation | 231,267 | 299,630 |
| Conservation | - | - |
| Economic development | <u>6,032</u> | <u>6,031</u> |
| Total expenses | <u>4,521,692</u> | <u>4,709,667</u> |
| Change in net position before gain on disposal of capital assets and contributions | 93,879 | (168,132) |
| Gain on disposal of capital asset | | 14,000 |
| Contributions to permanent fund principal | <u>3,500</u> | <u>3,000</u> |
| Change in net position | 97,379 | (151,132) |
| Net position at beginning of year | <u>4,587,994</u> | <u>4,739,126</u> |
| Net position at end of year | <u>\$ 4,685,373</u> | <u>\$ 4,587,994</u> |

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2020

As shown in the above statement the Town's governmental activities experienced an increase in financial position of \$97,379 on the full accrual basis of accounting.

Business-Type Activities

Statement of Net Position

Net position of the business-type activities as of December 31, 2020 and 2019 is as follows:

| | <u>2020</u> | <u>2019</u> |
|--------------------------------------|---------------------|---------------------|
| Capital and other assets: | | |
| Capital assets | \$ 2,788,569 | \$ 2,911,603 |
| Other assets | 134,248 | 118,982 |
| Total assets | <u>2,922,817</u> | <u>3,030,585</u> |
| | | |
| Deferred outflows related to OPEB | 366 | 310 |
| Deferred outflows related to pension | <u>25,292</u> | <u>7,114</u> |
| Total deferred outflows of resources | <u>25,658</u> | <u>7,424</u> |
| | | |
| Long-term and other liabilities: | | |
| Long-term liabilities | 100,793 | 66,144 |
| Other liabilities | <u>6,145</u> | <u>5,908</u> |
| Total liabilities | <u>106,938</u> | <u>72,052</u> |
| | | |
| Deferred inflows related to OPEB | 40 | 58 |
| Deferred inflows related to pension | <u>1,791</u> | <u>2,880</u> |
| Total deferred inflows of resources | <u>1,831</u> | <u>2,938</u> |
| | | |
| Net position: | | |
| Net investment in capital assets | 2,788,569 | 2,911,603 |
| Unrestricted | <u>51,137</u> | <u>51,416</u> |
| Total net position | <u>\$ 2,839,706</u> | <u>\$ 2,963,019</u> |

The largest portion of the Town's net position for its business-type activities reflects its investment in capital assets, primarily utility plant in service and equipment less any related outstanding debt used to acquire those assets. These assets are not available for future spending.

Statement of Activities

Changes in net position of the Town's business-type activities for the years ending December 31, 2020 and 2019 are as follows:

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2020

| | <u>2020</u> | <u>2019</u> |
|-----------------------------------|---------------------|---------------------|
| Program revenues: | | |
| Charges for services | \$ 157,016 | \$ 158,949 |
| Total program revenues | <u>157,016</u> | <u>158,949</u> |
| General revenues: | | |
| Interest and investment earnings | <u>18</u> | <u>61</u> |
| Total general revenues | <u>18</u> | <u>61</u> |
| Total revenues | <u>157,034</u> | <u>159,010</u> |
| Program expenses: | | |
| Water | 123,016 | 121,885 |
| Sewer | <u>157,331</u> | <u>155,714</u> |
| Total expenses | <u>280,347</u> | <u>277,599</u> |
| Change in net position | (123,313) | (118,589) |
| Net position at beginning of year | <u>2,963,019</u> | <u>3,081,608</u> |
| Net position at end of year | <u>\$ 2,839,706</u> | <u>\$ 2,963,019</u> |

The main funding source for business-type activities is charges for services, which provided 56% and 57% of expenses in 2020 and 2019, respectively. Overall, there was a decrease of \$123,313 in the net position.

Financial Analysis of the Town's Funds

As noted previously, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

General Fund

The General Fund is the main operating fund of the Town. At the end of the current year, the General Fund had an unassigned fund balance of \$0. Additional fund balance components at year end amounted to \$1,510,398 and are detailed on page 33 of the Notes to the Basic Financial Statements.

The total General Fund balance increased \$405,997 from December 31, 2019. The increase was mainly the result of conservative spending of the Town and additionally receiving reimbursements for emergency expenditures which were authorized to come from fund balance in the prior year.

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2020

Permanent Funds

Permanent funds account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the Town's programs. At December 31, 2020, the balance of \$637,750 was nonspendable and \$201,802 was restricted. The total fund balance in the permanent funds increased \$61,518 from the prior year.

Other Governmental Funds

The total fund balance of \$389,317 in the other governmental funds is committed for the purposes of the individually established fund. The largest portion of this total represents the balance in the Conservation Fund, Police Details Fund, Ambulance Revolving Fund and the Expendable Trust Funds.

Proprietary Funds

The focus of the Town's proprietary funds is on total economic resources, and changes to net position, much as it might be for a private-sector business.

The Town's proprietary funds had a combined unrestricted net position of \$51,137 at December 31, 2020. Charges for services for water and sewer operations covered 56% of operating expenses. The water fund and sewer fund experienced a decrease in net position of \$57,390 and \$65,923, respectively.

Capital Assets and Long-term Obligations

Capital Assets

The Town of Canaan considers a capital asset to be an asset whose costs exceed or equal \$10,000 and has a useful life of greater than one year. Assets are depreciated using the straight-line method over the course of their useful life. See Note 4 to the basic financial statements for a complete schedule of capital asset activity for the year.

Long-Term Obligations

During 2020, the liability for the Town's proportionate share of the New Hampshire Retirement System's unfunded pension liability decreased by \$783,442. The Town's proportionate share of the New Hampshire Retirement System's unfunded OPEB liability decreased by \$5,318.

See Notes 6 and 7 in the notes to the basic financial statements for additional information on the OPEB and pension liabilities of the Town.

Budgetary Highlights

Budgetary information for the General Fund (a major governmental fund) is included in the Required Supplementary Information section.

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2020

Actual revenues and transfers in on the budgetary basis were greater than the budgeted amount by \$126,405. This favorable variance represents approximately 3% of the estimated revenues projected when the property tax rate was established.

The Town underexpended its budgeted appropriations by \$595,564. Demonstrating fiscal restraint, town officials were able to manage the town's business under budget. Detailed budgetary results may be found in Schedule 1 in the financial statements.

Economic Factors

The Town of Canaan has at least 12 years of experience maintaining a reasonable growth in services including the addition of an ambulance service, improvements in the water and sewer system, adding police officers, computerizing the Police Department, adding Highway workers and equipment while also limiting tax increases to an average of 2% per year.

The end of this cycle is approaching as the operating budget and revenue streams are as tight as can be reasonably expected. There is very little cushion or even contingency planning in the current budgets. Unforeseen contingencies have to be managed utilizing existing funding and deferral of some services in emergencies. There is already inflationary stress in the 2021 budget as well as the projected 2022 budget. An additional risk factor for the Town is the imminent retirement of management within the Town. The following Department Heads have already given notice that they will be retiring or will have expiring contracts within the next two years:

- Town Administrator
- Welfare Administrator
- Town Clerk/Tax Collector
- Fire Chief
- Emergency Medical Services Chief
- Emergency Management Chief; and
- Police Chief

Other management which are likely to retire within the next five years include the Finance Director, the Water and Sewer Supervisor and two of the 3 Selectmen.

There are hiring and shadow training plans for many of these managers. The team training is a costly process but helps to assure a more orderly transition. The flowing positions are being recruited with training:

- Town Administrator
- Welfare Administrator

Five additional positions are being replaced from within staff with additional training.

- Town Clerk/Tax Collector
- Fire Chief
- Emergency Medical Services Chief

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2020

- Emergency Management Chief; and
- Police Chief

A program to recruit a new Water & Sewer employee to eventually become the Chief Operator has been funded but has no suitable candidate yet. There is currently no program for transitioning to a new Finance Director although there are some resources available to facilitate the process if desired over the next three years.

The cost of the 2022 transition has been included in the budget proposed for 2022 and totals about \$60,000. This translates to about a 3% tax increase ordinarily but due to other cost savings, the overall tax increase next year is still assumed to be 2% or less.

Contacting the Town of Canaan's Financial Management

This financial report is to provide our citizens and creditors with a general overview of the Town's finances and to show a measure of accountability for the money it receives. If you have any questions about this report or need to get additional information, contact the Board of Selectmen at, PO Box 38, Canaan, NH 03741, telephone number 603-523-4501 x 5.

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

| | Primary Government | | Total |
|---------------------------------------|----------------------------|-----------------------------|---------------------|
| | Governmental Activities | Business-Type Activities | |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | \$ 899,186 | \$ 108,928 | \$ 1,008,114 |
| Investments | 1,780,162 | 2,913 | 1,783,075 |
| Taxes receivable, net | 474,213 | | 474,213 |
| Accounts receivable, net | 80,946 | 7,152 | 88,098 |
| Unbilled charges for services | | 33,194 | 33,194 |
| Internal balances | 17,939 | (17,939) | - |
| Prepaid items | 23,722 | | 23,722 |
| Tax dedeed property | 43,076 | | 43,076 |
| Total Current Assets | <u>3,319,244</u> | <u>134,248</u> | <u>3,453,492</u> |
| Noncurrent Assets: | | | |
| Due from other governments | 5,522 | | 5,522 |
| Capital assets: | | | |
| Non-depreciable capital assets | 703,149 | 245,981 | 949,130 |
| Depreciable capital assets, net | 3,121,748 | 2,542,588 | 5,664,336 |
| Total Noncurrent Assets | <u>3,830,419</u> | <u>2,788,569</u> | <u>6,618,988</u> |
| Total Assets | <u>7,149,663</u> | <u>2,922,817</u> | <u>10,072,480</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to OPEB | 9,689 | 366 | 10,055 |
| Deferred outflows related to pension | 669,550 | 25,292 | 694,842 |
| Total Deferred Outflows of Resources | <u>679,239</u> | <u>25,658</u> | <u>704,897</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Accounts payable | 137,810 | | 137,810 |
| Accrued liabilities | 24,622 | | 24,622 |
| Total Current Liabilities | <u>162,432</u> | <u>-</u> | <u>162,432</u> |
| Noncurrent Liabilities: | | | |
| Compensated absences payable | 23,342 | | 23,342 |
| OPEB liability | 162,678 | 6,145 | 168,823 |
| Net pension liability | 2,668,326 | 100,793 | 2,769,119 |
| Total Noncurrent Liabilities | <u>2,854,346</u> | <u>106,938</u> | <u>2,961,284</u> |
| Total Liabilities | <u>3,016,778</u> | <u>106,938</u> | <u>3,123,716</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Taxes collected in advance | 16,351 | | 16,351 |
| Deferred inflows related to OPEB | 1,077 | 40 | 1,117 |
| Deferred inflows related to pension | 47,429 | 1,791 | 49,220 |
| Total Deferred Inflows of Resources | <u>64,857</u> | <u>1,831</u> | <u>66,688</u> |
| NET POSITION | | | |
| Net investment in capital assets | 3,824,897 | 2,788,569 | 6,613,466 |
| Restricted | 985,984 | | 985,984 |
| Unrestricted (deficit) | (63,614) | 51,137 | (12,477) |
| Total Net Position | <u>\$ 4,747,267</u> | <u>\$ 2,839,706</u> | <u>\$ 7,586,973</u> |

See accompanying notes to the basic financial statements

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

| Functions/Programs | <u>Expenses</u> | <u>Program Revenues</u> | | <u>Net (Expense) Revenue and Changes in Net Position</u> | | <u>Total</u> |
|---|---------------------|---------------------------------|---|--|-------------------------------------|---------------------|
| | | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Governmental Activities</u> | <u>Business-type Activities</u> | |
| Governmental Activities: | | | | | | |
| General government | \$ 1,302,456 | \$ 1,826 | \$ 13,348 | \$ (1,287,282) | | \$ (1,287,282) |
| Public safety | 1,531,694 | 200,158 | 211,026 | (1,120,510) | | (1,120,510) |
| Highways and streets | 1,054,549 | | 315,423 | (739,126) | | (739,126) |
| Sanitation | 263,856 | 40,121 | | (223,735) | | (223,735) |
| Health and welfare | 120,113 | 2,551 | | (117,562) | | (117,562) |
| Culture and recreation | 231,267 | 12,408 | | (218,859) | | (218,859) |
| Economic development | 6,032 | | | (6,032) | | (6,032) |
| Interest and other fiscal charges | 11,725 | | | (11,725) | | (11,725) |
| Total governmental activities | <u>4,521,692</u> | <u>257,064</u> | <u>539,797</u> | <u>(3,724,831)</u> | <u>\$ -</u> | <u>(3,724,831)</u> |
| Business-type Activities: | | | | | | |
| Water | 123,016 | 65,608 | | | (57,408) | (57,408) |
| Sewer | 157,331 | 91,408 | | | (65,923) | (65,923) |
| Total business-type activities | <u>280,347</u> | <u>157,016</u> | <u>-</u> | <u>-</u> | <u>(123,331)</u> | <u>(123,331)</u> |
| Total primary government | <u>\$ 4,802,039</u> | <u>\$ 414,080</u> | <u>\$ 539,797</u> | <u>(3,724,831)</u> | <u>(123,331)</u> | <u>(3,848,162)</u> |
| General revenues: | | | | | | |
| Property and other taxes | | | | 2,632,172 | | 2,632,172 |
| Licenses and permits | | | | 829,095 | | 829,095 |
| Grants and contributions: | | | | | | |
| State shared revenues | | | | 61,894 | | 61,894 |
| Rooms and meals tax distribution | | | | 201,753 | | 201,753 |
| State and federal forest land | | | | 191 | | 191 |
| Interest and investment income | | | | 104,457 | 18 | 104,475 |
| Miscellaneous | | | | 51,042 | | 51,042 |
| Contributions to permanent fund principal | | | | 3,500 | | 3,500 |
| Total general revenues and contributions to permanent fund principal | | | | <u>3,884,104</u> | <u>18</u> | <u>3,884,122</u> |
| Change in net position | | | | 159,273 | (123,313) | 35,960 |
| Net Position at beginning of year | | | | 4,587,994 | 2,963,019 | 7,551,013 |
| Net Position at end of year | | | | <u>\$ 4,747,267</u> | <u>\$ 2,839,706</u> | <u>\$ 7,586,973</u> |

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF CANAAN, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2020

| | General <u>Fund</u> | Permanent <u>Funds</u> | Nonmajor Governmental <u>Funds</u> | Total Governmental <u>Funds</u> |
|---|------------------------|---------------------------|--|---------------------------------------|
| ASSETS | | | | |
| Cash and cash equivalents | \$ 762,586 | | \$ 136,600 | \$ 899,186 |
| Investments | 758,023 | \$ 839,552 | 182,587 | 1,780,162 |
| Taxes receivable, net | 474,213 | | | 474,213 |
| Accounts receivable, net | | | 80,946 | 80,946 |
| Due from other funds | 35,404 | | 6,649 | 42,053 |
| Prepaid items | 23,722 | | | 23,722 |
| Tax dedeed property | 43,076 | | | 43,076 |
| Total Assets | <u>2,097,024</u> | <u>839,552</u> | <u>406,782</u> | <u>3,343,358</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>\$ 2,097,024</u> | <u>\$ 839,552</u> | <u>\$ 406,782</u> | <u>\$ 3,343,358</u> |
| LIABILITIES | | | | |
| Accounts payable | \$ 137,810 | | | \$ 137,810 |
| Accrued liabilities | 24,622 | | | 24,622 |
| Due to other funds | 6,649 | | \$ 17,465 | 24,114 |
| Total Liabilities | <u>169,081</u> | <u>\$ -</u> | <u>17,465</u> | <u>186,546</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Uncollected land use taxes | 86 | | | 86 |
| Uncollected property taxes | 401,108 | | | 401,108 |
| Taxes collected in advance | 16,351 | | | 16,351 |
| Total Deferred Inflows of Resources | <u>417,545</u> | <u>-</u> | <u>-</u> | <u>417,545</u> |
| FUND BALANCES | | | | |
| Nonspendable | 66,798 | 637,750 | | 704,548 |
| Restricted | 146,432 | 201,802 | | 348,234 |
| Committed | 929,315 | | 389,317 | 1,318,632 |
| Assigned | 367,853 | | | 367,853 |
| Total Fund Balances | <u>1,510,398</u> | <u>839,552</u> | <u>389,317</u> | <u>2,739,267</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 2,097,024</u> | <u>\$ 839,552</u> | <u>\$ 406,782</u> | <u>\$ 3,343,358</u> |

See accompanying notes to the basic financial statements

EXHIBIT C-1
TOWN OF CANAAN, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2020

| | |
|---|---------------------|
| Total Fund Balances - Governmental Funds (Exhibit C) | \$ 2,739,267 |
| 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. | 3,824,897 |
| Taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis. | 401,194 |
| The long-term state aid grant receivable is recognized on an accrual basis in the statement of net position, not the modified accrual basis. | 5,522 |
| 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 | 9,689 |
| Deferred outflows of resources related to net pension liability | 669,550 |
| Deferred inflows of resources related to OPEB | (1,077) |
| Deferred inflows of resources related to net pension liability | (47,429) |
| 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: | |
| Compensated absences payable | (23,342) |
| OPEB liability | (162,678) |
| Net pension liability | <u>(2,668,326)</u> |
| Net Position of Governmental Activities (Exhibit A) | <u>\$ 4,747,267</u> |

See accompanying notes to the basic financial statements

EXHIBIT D
TOWN OF CANAAN, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2020

| | General <u>Fund</u> | Permanent <u>Funds</u> | Nonmajor Governmental <u>Funds</u> | Total Governmental <u>Funds</u> |
|---|------------------------|---------------------------|--|---------------------------------------|
| Revenues: | | | | |
| Taxes | \$ 2,599,641 | | \$ 5,000 | \$ 2,604,641 |
| Licenses and permits | 829,095 | | | 829,095 |
| Intergovernmental | 797,822 | | 5,813 | 803,635 |
| Charges for services | 59,913 | | 197,151 | 257,064 |
| Interest and investment income | 24,875 | \$ 70,360 | 9,222 | 104,457 |
| Miscellaneous | 26,628 | 3,500 | 24,414 | 54,542 |
| Total Revenues | <u>4,337,974</u> | <u>73,860</u> | <u>241,600</u> | <u>4,653,434</u> |
| Expenditures: | | | | |
| Current operations: | | | | |
| General government | 1,250,311 | | | 1,250,311 |
| Public safety | 1,016,365 | | 314,585 | 1,330,950 |
| Highways and streets | 816,190 | | | 816,190 |
| Sanitation | 247,116 | | | 247,116 |
| Health and welfare | 120,113 | | | 120,113 |
| Culture and recreation | 179,516 | | 15,380 | 194,896 |
| Capital outlay | 168,983 | | | 168,983 |
| Debt service: | | | | |
| Interest and fiscal charges | 11,725 | | | 11,725 |
| Total Expenditures | <u>3,810,319</u> | <u>-</u> | <u>329,965</u> | <u>4,140,284</u> |
| Excess revenues over (under) expenditures | <u>527,655</u> | <u>73,860</u> | <u>(88,365)</u> | <u>513,150</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 12,342 | | 134,000 | 146,342 |
| Transfers out | (134,000) | (12,342) | | (146,342) |
| Total Other financing sources (uses) | <u>(121,658)</u> | <u>(12,342)</u> | <u>134,000</u> | <u>-</u> |
| Net change in fund balances | 405,997 | 61,518 | 45,635 | 513,150 |
| Fund Balances at beginning of year | <u>1,104,401</u> | <u>778,034</u> | <u>343,682</u> | <u>2,226,117</u> |
| Fund Balances at end of year | <u>\$ 1,510,398</u> | <u>\$ 839,552</u> | <u>\$ 389,317</u> | <u>\$ 2,739,267</u> |

See accompanying notes to the basic financial statements

EXHIBIT D-1
TOWN OF CANAAN, 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, 2020

| | |
|---|-------------------|
| Net Change in Fund Balances - Governmental Funds (Exhibit D) | \$ 513,150 |
| Amounts reported for governmental activities in the statement of activities are different because: | |
| Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. | 27,531 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current period. | (144,065) |
| Some expenses reported in the statement of activities, such as compensated absences, do not do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds. | 5,271 |
| 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 | 6,960 |
| Net changes in pension | <u>(249,574)</u> |
| Change in Net Position of Governmental Activities (Exhibit B) | <u>\$ 159,273</u> |

See accompanying notes to the basic financial statements

EXHIBIT E
TOWN OF CANAAN, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
December 31, 2020

| | Business-type Activities | | |
|--|--------------------------|---------------------|---------------------|
| | Water Fund | Sewer Fund | Totals |
| ASSETS | | | |
| Current Assets: | | | |
| Cash and cash equivalents | | \$ 108,928 | \$ 108,928 |
| Investments | \$ 2,913 | | 2,913 |
| Accounts receivable | 3,715 | 3,437 | 7,152 |
| Unbilled charges for services | 16,237 | 16,957 | 33,194 |
| Due from other funds | 134,113 | | 134,113 |
| Total Current Assets | <u>156,978</u> | <u>129,322</u> | <u>286,300</u> |
| Noncurrent Assets: | | | |
| Capital assets: | | | |
| Non-depreciable capital assets | | 245,981 | 245,981 |
| Depreciable capital assets, net | 814,855 | 1,727,733 | 2,542,588 |
| Total Noncurrent Assets | <u>814,855</u> | <u>1,973,714</u> | <u>2,788,569</u> |
| Total Assets | <u>971,833</u> | <u>2,103,036</u> | <u>3,074,869</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred outflows related to OPEB | 184 | 182 | 366 |
| Deferred outflows related to pension | 12,725 | 12,567 | 25,292 |
| Total Deferred Outflows of Resources | <u>12,909</u> | <u>12,749</u> | <u>25,658</u> |
| LIABILITIES | | | |
| Current Liabilities: | | | |
| Due to other funds | 9,479 | 142,573 | 152,052 |
| Total Current Liabilities | <u>9,479</u> | <u>142,573</u> | <u>152,052</u> |
| Noncurrent Liabilities: | | | |
| OPEB liability | 3,092 | 3,053 | 6,145 |
| Net pension liability | 50,711 | 50,082 | 100,793 |
| Total Noncurrent Liabilities | <u>53,803</u> | <u>53,135</u> | <u>106,938</u> |
| Total Liabilities | <u>63,282</u> | <u>195,708</u> | <u>258,990</u> |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred inflows related to OPEB liability | 20 | 20 | 40 |
| Deferred inflows related to pension | 901 | 890 | 1,791 |
| Total Deferred Inflows of Resources | <u>921</u> | <u>910</u> | <u>1,831</u> |
| NET POSITION | | | |
| Net investment in capital assets | 814,855 | 1,973,714 | 2,788,569 |
| Unrestricted (deficit) | 105,684 | (54,547) | 51,137 |
| Total Net Position | <u>\$ 920,539</u> | <u>\$ 1,919,167</u> | <u>\$ 2,839,706</u> |

See accompanying notes to the basic financial statements

EXHIBIT F
TOWN OF CANAAN, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2020

| | Business-type Activities | | |
|---|--------------------------|----------------------|---------------------|
| | Water <u>Fund</u> | Sewer <u>Fund</u> | <u>Totals</u> |
| Operating revenues: | | | |
| Charges for services | \$ 65,608 | \$ 91,408 | \$ 157,016 |
| Total Operating revenues | <u>65,608</u> | <u>91,408</u> | <u>157,016</u> |
| Operating expenses: | | | |
| Personnel services | 57,452 | 56,425 | 113,877 |
| Contractual services | 8,711 | 85 | 8,796 |
| Repairs and maintenance | 2,687 | 5,893 | 8,580 |
| Materials and supplies | 5,485 | 3,453 | 8,938 |
| Utilities | 4,897 | 12,030 | 16,927 |
| Depreciation | 43,784 | 79,250 | 123,034 |
| Miscellaneous | | 195 | 195 |
| Total Operating expenses | <u>123,016</u> | <u>157,331</u> | <u>280,347</u> |
| Operating loss | <u>(57,408)</u> | <u>(65,923)</u> | <u>(123,331)</u> |
| Non-operating revenues and (expenses): | | | |
| Interest revenue | <u>18</u> | <u></u> | <u>18</u> |
| Net Non-operating revenues and (expenses) | <u>18</u> | <u>-</u> | <u>18</u> |
| Change in net position | (57,390) | (65,923) | (123,313) |
| Net Position at beginning of year | <u>977,929</u> | <u>1,985,090</u> | <u>2,963,019</u> |
| Net Position at end of year | <u>\$ 920,539</u> | <u>\$ 1,919,167</u> | <u>\$ 2,839,706</u> |

See accompanying notes to the basic financial statements

EXHIBIT G
TOWN OF CANAAN, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2020

| | Business-type Activities | | |
|--|--------------------------|----------------------|------------------|
| | Water <u>Fund</u> | Sewer <u>Fund</u> | <u>Totals</u> |
| Cash flows from operating activities: | | | |
| Cash received from customers | \$ 65,965 | \$ 91,401 | \$ 157,366 |
| Cash paid to suppliers | (38,758) | (38,447) | (77,205) |
| Cash paid to employees | (32,473) | (32,090) | (64,563) |
| Net cash provided (used) by operating activities | <u>(5,266)</u> | <u>20,864</u> | <u>15,598</u> |
| Net increase (decrease) in cash and cash equivalents | (5,266) | 20,864 | 15,598 |
| Cash and cash equivalents (deficiency) at beginning of year | <u>129,900</u> | <u>(54,509)</u> | <u>75,391</u> |
| Cash and cash equivalents (deficiency) at end of year | <u>\$ 124,634</u> | <u>\$ (33,645)</u> | <u>\$ 90,989</u> |
| Reconciliation of operating loss to net cash provided (used) by operating activities: | | | |
| Operating loss | \$ (57,408) | \$ (65,923) | \$ (123,331) |
| Adjustments to reconcile operating loss to net cash provided (used) by operating activities: | | | |
| Depreciation expense | 43,784 | 79,250 | 123,034 |
| Change in deferred outflows related to OPEB | (29) | (27) | (56) |
| Change in deferred outflows related to pension | (9,168) | (9,010) | (18,178) |
| Change in deferred inflows related to OPEB | (9) | (9) | (18) |
| Change in deferred inflows related to pension | (539) | (550) | (1,089) |
| Changes in assets and liabilities: | | | |
| Accounts receivable | (1,630) | (1,864) | (3,494) |
| Unbilled charges for services | 1,987 | 1,857 | 3,844 |
| Accrued expenses | (84) | (24) | (108) |
| OPEB liability | 192 | 153 | 345 |
| Net pension liability | <u>17,638</u> | <u>17,011</u> | <u>34,649</u> |
| Net cash provided (used) by operating activities | <u>\$ (5,266)</u> | <u>\$ 20,864</u> | <u>\$ 15,598</u> |

See accompanying notes to the basic financial statements

EXHIBIT H
TOWN OF CANAAN, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2020

| | Private- Purpose <u>Trust Funds</u> | Custodial <u>Funds</u> |
|---|---|---------------------------|
| ASSETS | | |
| Cash and cash equivalents | | \$ 3,989,774 |
| Investments | \$ 48,282 | 1,041,276 |
| Taxes receivable | | 432,883 |
| Total Assets | <u>48,282</u> | <u>5,463,933</u> |
| LIABILITIES | | |
| Due to other governments | | <u>4,422,657</u> |
| Total Liabilities | <u>-</u> | <u>4,422,657</u> |
| NET POSITION | | |
| Restricted for: | | |
| Individuals, organizations, and other governments | <u>48,282</u> | <u>1,041,276</u> |
| Total Net Position | <u>\$ 48,282</u> | <u>\$ 1,041,276</u> |

See accompanying notes to the basic financial statements

EXHIBIT I
TOWN OF CANAAN, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2020

| | Private- Purpose <u>Trust Funds</u> | Custodial <u>Funds</u> |
|---|---|---------------------------|
| ADDITIONS: | | |
| Contributions: | | |
| Bequests | | \$ 3,055 |
| Total Contributions | <u>\$ -</u> | <u>3,055</u> |
| Investment Earnings: | | |
| Interest income | 1,353 | 13,632 |
| Realized gains (loss) on investments | 168 | (1,485) |
| Net increase in the fair value of investments | <u>2,865</u> | <u>16,441</u> |
| Total Investment Earnings | 4,386 | 28,588 |
| Less: Investment expense | <u>(318)</u> | <u>(5,155)</u> |
| Net Investment Earnings | <u>4,068</u> | <u>23,433</u> |
| Property tax collections for other governments | | 9,330,821 |
| Motor vehicle fee collections for other governments | | 295,551 |
| Miscellaneous | | <u>180,000</u> |
| Total Additions | <u>4,068</u> | <u>9,832,860</u> |
| DEDUCTIONS: | | |
| Beneficiary payments to individuals | | 10,408 |
| Beneficiary payments to other governments | | 145,379 |
| Payments of property tax to other governments | | 9,330,821 |
| Payments of motor vehicle fees to other governments | | <u>295,551</u> |
| Total Deductions | <u>-</u> | <u>9,782,159</u> |
| Change in net position | 4,068 | 50,701 |
| Net Position at beginning of year | <u>44,214</u> | <u>990,575</u> |
| Net Position at end of year | <u>\$ 48,282</u> | <u>\$ 1,041,276</u> |

See accompanying notes to the basic financial statements

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2020

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Canaan, New Hampshire conform to accounting principles 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 Canaan, New Hampshire (the Town) was incorporated on July 9, 1761. 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 elected 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 and business-type 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 and business-type 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 and proprietary fund financial statements is on major funds. Each major fund is

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

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

Fund Accounting

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

1. Governmental Funds:

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

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

The *Permanent Funds* are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the Town's programs.

2. Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The Town has no internal service funds. The following are the Town's major proprietary funds:

The *Water and Sewer Funds* account for all revenues and expenses pertaining to the Town's water and wastewater operations, respectively. The Water and Sewer Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation) of providing goods or services to the residents on a continuing basis are financed or recovered primarily through user charges.

3. 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. Custodial funds are used to account for amounts collected by the Town and remitted to other individuals or governments. The assets of trust funds and custodial funds are therefore not available to support the Town's own programs.

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

Measurement Focus

1. Government-Wide Financial Statements:

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

2. Fund Financial Statements:

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

Like the government-wide statements, the proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

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. Proprietary and 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

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

property taxes is recognized in the year for which the taxes are levied (see Note 12). Revenue from grants, entitlements and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

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

2. Expenses/Expenditures:

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

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

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, 2020, the Town applied \$12,000 of its unassigned fund balance to reduce taxes.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of the following:

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

| | Water <u>Fund</u> | Sewer <u>Fund</u> | <u>Totals</u> |
|----------------------|----------------------|----------------------|------------------|
| Cash | | \$ 108,928 | \$ 108,928 |
| Due from other funds | \$ 134,113 | | 134,113 |
| Due to other funds | <u>(9,479)</u> | <u>(142,573)</u> | <u>(152,052)</u> |
| Totals | <u>\$ 124,634</u> | <u>\$ (33,645)</u> | <u>\$ 90,989</u> |

Investments

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

Taxes Receivable

Taxes levied during the current year and prior and uncollected at December 31, 2020 are recorded as receivables net of reserves for estimated uncollectibles of \$54,483.

Accounts Receivable

Charges for services billed during the current year and prior and uncollected at December 31, 2020 are recorded as receivables net of reserves for estimated uncollectibles of \$184,922 in the Ambulance Revolving Fund, a Nonmajor Governmental Fund.

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 governmental fund financial statements. In the government-wide financial statements, capital assets are reported in the applicable governmental or business-type activities column.

All capital assets including infrastructure and intangible assets are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The Town maintains a capitalization threshold of \$10,000. The Town's infrastructure consists of roads, bridges, sidewalks, water purification and distribution system, sewer collection and treatment system, and similar items. Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

The Town is not required to retroactively report its general infrastructure. Infrastructure records have been maintained effective January 1, 2004 and are included in these financial statements.

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

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

| | <u>Description</u> | <u>Years</u> |
|--|----------------------------|--------------|
| | Infrastructure | 30-50 |
| | Buildings and improvements | 10-40 |
| | Land improvements | 7-15 |
| | Vehicles and equipment | 3-25 |

Compensated Absences

Full time employees may accumulate sick leave days at a rate of one day per month, cumulative to a maximum of sixty days. No payment for unused sick leave is made upon termination.

Dependent upon length of service, full-time employees earn vacation leave at the rate of 5 to 25 days per year. Unused vacation time accrued in a year (based on anniversary date) of up to 5 days will be carried forward to the employee's next anniversary date. Upon termination of employment, employees will be paid for up to all unused vacation earned through the last day of work.

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 absences liability is reported on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

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

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

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

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

As of December 31, 2020, the Town has not adopted a formal fund balance policy. The Town has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These components of fund balance are defined as follows:

- ***Nonspendable Fund Balance:*** Amounts that are not in a spendable form or are required to be maintained intact.
- ***Restricted Fund Balance:*** Amounts constrained to specific purposes by their providers through constitutional provisions or by enabling legislation. Restrictions may be changed or lifted only upon the consent of the external resource provider or enabling legislation.
- ***Committed Fund Balance:*** Amounts constrained to specific purposes by a government itself using its highest level of decision-making authority (Annual Town Meeting). Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. The governing body's action 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 a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- ***Unassigned Fund Balance:*** Amounts that are not obligated or specifically designated and is available for any purpose; these amounts are reported only in the General Fund, except for any deficit fund balance of another governmental fund.

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

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

classifications can be used, committed amounts should be reduced first, followed by assigned amounts then unassigned amounts.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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 and after non-operating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the water fund and sewer fund, these revenues are charges to customers for sales and services. Operating expenses, which include depreciation on capital assets, are necessary costs incurred to provide the service that is the primary activity of the proprietary fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

Estimates

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

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

NOTE 3—DEPOSITS AND INVESTMENTS

The Town's investment policy for governmental and proprietary fund types requires that deposits be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The Town limits its investments to the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool in accordance with New Hampshire State law (RSA 197:23-a). Town funds may also be deposited into solvent banks within the State of New Hampshire, short-term obligations of United States government agency, or repurchase agreements with banks chartered by the State of New Hampshire and fully collateralized by United States Treasury Bills.

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

Responsibility for the investments of the expendable trust funds, permanent funds, private-purpose trust funds and agency funds is with the Board of Trustees. The Trustees of Trust Funds have employed professional banking assistance in accordance with New Hampshire State law (RSA 31:38a). Investments of the library funds are at the discretion of the Library Trustees.

Deposits and investments as of December 31, 2020 are classified in the accompanying financial statements as follows:

| | |
|--------------------------------------|---------------------|
| Statement of Net Position: | |
| Cash and cash equivalents | \$ 1,008,114 |
| Investments | 1,783,075 |
| Statement of Fiduciary Net Position: | |
| Cash and cash equivalents | 3,989,774 |
| Investments | <u>1,089,558</u> |
| | <u>\$ 7,870,521</u> |

Deposits and investments as of December 31, 2020 consist of the following:

| | |
|--------------------------------------|---------------------|
| Deposits with financial institutions | \$ 4,997,888 |
| Investments | <u>2,872,633</u> |
| Total cash and investments | <u>\$ 7,870,521</u> |

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Town manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time.

The Town's investment policy for the General Fund, other governmental funds and proprietary funds indicates that investments shall be limited to instruments maturing within one year at the time of purchase or the NHPDIP. The Trustees of Trust Funds and the Library Trustees have no policy with respect to interest rate risk.

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

| <u>Investment Type</u> | <u>Remaining Maturity (In Years)</u> | | | |
|---------------------------|--------------------------------------|--------------------|---------------------|---------------------|
| | <u>Fair Value</u> | <u>< 1 Year</u> | <u>1-5 Years</u> | <u>> 5 Years</u> |
| U.S. Treasury notes | \$ 1,027,971 | \$ 220,648 | \$ 706,840 | \$ 100,483 |
| Federal agency securities | 298,080 | | 198,570 | 99,510 |
| Municipal obligations | 10,207 | | 10,207 | |
| Corporate bonds | 269,915 | 30,047 | 171,154 | 68,714 |
| Mutual funds | <u>30,833</u> | | <u>30,833</u> | |
| | <u>\$ 1,637,006</u> | <u>\$ 250,695</u> | <u>\$ 1,117,604</u> | <u>\$ 268,707</u> |

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

The Town’s policy states that the Treasurer may place any excess funds into obligations of the United States government maturing in less than one year or the NHPDIP. The investment policy of the Trustees of Trust Funds states that all investments should be undertaken in a manner that seeks to preserve capital. The Library Trustees have no policy with respect to credit risk.

The following is the actual rating at year end for each investment type.

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Rating as of Year End</u> | | | | |
|------------------------|---------------------|------------------------------|------------------|------------------|------------------|-------------------|
| | | <u>Aaa</u> | <u>Aa</u> | <u>A</u> | <u>Baa</u> | <u>Unrated</u> |
| Municipal obligations | \$ 10,207 | | \$ 10,207 | | | |
| Corporate bonds | 269,915 | \$ 31,247 | 84,981 | \$ 64,529 | \$ 89,158 | |
| Money market funds | 601,937 | | | | | \$ 601,937 |
| Bond mutual funds | 30,833 | | | | | 30,833 |
| State investment pool | 93,440 | 93,440 | | | | |
| | <u>\$ 1,006,332</u> | <u>\$ 124,687</u> | <u>\$ 95,188</u> | <u>\$ 64,529</u> | <u>\$ 89,158</u> | <u>\$ 632,770</u> |

Custodial Credit Risk

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

The Town’s policy for governmental and proprietary funds states that deposits shall be fully collateralized with the delivery of United States government obligations, United States government agency obligations, or obligations of the State of New Hampshire in market value at least equal to 100% of the cash deposit. The Trustees of Trust Funds policy states that its investments shall be diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity, industry or specific issuer. The Trustees shall also use prudence in the selection of securities. The Library Trustees have no policy with respect to custodial credit risk.

The Town does not have any deposits with financial institutions at year end that are exposed to custodial credit risk. As of December 31, 2020, Town investments in the following investment types were held by the same counterparty that was used to buy the securities:

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

| <u>Investment Type</u> | <u>Reported Amount</u> |
|---------------------------|----------------------------|
| U.S. Treasury notes | \$ 1,027,971 |
| Federal agency securities | 298,080 |
| Municipal obligations | 10,207 |
| Corporate bonds | 269,915 |
| Bond mutual funds | 30,833 |
| Equity securities | 336,372 |
| Exchange traded funds | 203,878 |
| | <u>\$ 2,177,256</u> |

Fair Value Measurement of Investments

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

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

As of December 31, 2020, the Town's investments measured at fair value, by type, were as follows:

| <u>Investment Type</u> | <u>Fair Value Measurements Using:</u> | | | <u>Totals</u> |
|---------------------------|---------------------------------------|---------------------------|---------------------------|---------------------|
| | <u>Level 1 Inputs</u> | <u>Level 2 Inputs</u> | <u>Level 3 Inputs</u> | |
| U.S. Treasury notes | | \$ 1,027,971 | | \$ 1,027,971 |
| Federal agency securities | | 298,080 | | 298,080 |
| Municipal obligations | | 10,207 | | 10,207 |
| Corporate bonds | | 269,915 | | 269,915 |
| Bond mutual funds | \$ 30,833 | | | 30,833 |
| Equity securities | 336,372 | | | 336,372 |
| Exchange traded funds | 203,878 | | | 203,878 |
| | <u>\$ 571,083</u> | <u>\$ 1,606,173</u> | <u>\$ -</u> | <u>\$ 2,177,256</u> |

Bond mutual funds, equity securities and exchange traded funds classified as Level 1 are valued using unadjusted quoted prices in active markets for those securities. US Treasury notes, federal agency securities, municipal obligations and corporate bonds classified as Level 2 are valued using a matrix pricing model.

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

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

Investment in NHPDIP

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

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

NOTE 4—CAPITAL ASSETS

Governmental Activities

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

| | Balance <u>1/1/2020</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>12/31/2020</u> |
|---|----------------------------|---------------------|-------------------|------------------------------|
| Governmental activities: | | | | |
| Capital assets not depreciated: | | | | |
| Land | \$ 582,383 | | | \$ 582,383 |
| Construction in progress | <u>37,694</u> | \$ 83,072 | | <u>120,766</u> |
| Total capital assets not being depreciated | <u>620,077</u> | <u>83,072</u> | <u>\$ -</u> | <u>703,149</u> |
| Other capital assets: | | | | |
| Infrastructure | 1,750,383 | | | 1,750,383 |
| Buildings and improvements | 1,758,564 | | | 1,758,564 |
| Land improvements | 13,100 | | | 13,100 |
| Vehicles and equipment | <u>3,202,755</u> | <u>90,746</u> | <u>(12,721)</u> | <u>3,280,780</u> |
| Total other capital assets at historical cost | <u>6,724,802</u> | <u>90,746</u> | <u>(12,721)</u> | <u>6,802,827</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (340,412) | (43,292) | | (383,704) |
| Buildings and improvements | (1,119,600) | (59,305) | | (1,178,905) |
| Land improvements | (7,059) | (874) | | (7,933) |
| Vehicles and equipment | <u>(1,908,846)</u> | <u>(212,080)</u> | <u>10,389</u> | <u>(2,110,537)</u> |
| Total accumulated depreciation | <u>(3,375,917)</u> | <u>(315,551)</u> | <u>10,389</u> | <u>(3,681,079)</u> |
| Total other capital assets, net | <u>3,348,885</u> | <u>(224,805)</u> | <u>(2,332)</u> | <u>3,121,748</u> |
| Total capital assets, net | <u>\$ 3,968,962</u> | <u>\$ (141,733)</u> | <u>\$ (2,332)</u> | <u>\$ 3,824,897</u> |

Depreciation expense was charged to governmental functions as follows:

| | |
|--|-------------------|
| General government | \$ 10,685 |
| Public safety | 63,682 |
| Highways and streets | 195,149 |
| Sanitation | 10,795 |
| Culture and recreation | 29,208 |
| Economic development | <u>6,032</u> |
| Total governmental activities depreciation expense | <u>\$ 315,551</u> |

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

Business-Type Activities

The following is a summary of changes in capital assets in the business-type activities:

| | <u>Balance</u> <u>1/1/2020</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>12/31/2020</u> |
|---|-----------------------------------|---------------------|-------------------|-------------------------------------|
| Business-type activities: | | | | |
| Capital assets not depreciated: | | | | |
| Land | \$ 238,341 | | | \$ 238,341 |
| Construction in progress | <u>7,640</u> | | | <u>7,640</u> |
| Total capital assets not being depreciated | <u>245,981</u> | <u>\$ -</u> | <u>\$ -</u> | <u>245,981</u> |
| Other capital assets: | | | | |
| Infrastructure | 5,619,767 | | | 5,619,767 |
| Buildings and improvements | 67,970 | | | 67,970 |
| Land improvements | 22,395 | | | 22,395 |
| Vehicles and equipment | <u>212,627</u> | | | <u>212,627</u> |
| Total other capital assets at historical cost | <u>5,922,759</u> | <u>-</u> | <u>-</u> | <u>5,922,759</u> |
| Less accumulated depreciation for: | | | | |
| Infrastructure | (2,994,224) | (112,396) | | (3,106,620) |
| Buildings and improvements | (55,726) | (1,359) | | (57,085) |
| Land improvements | (22,395) | | | (22,395) |
| Vehicles and equipment | <u>(184,792)</u> | <u>(9,279)</u> | | <u>(194,071)</u> |
| Total accumulated depreciation | <u>(3,257,137)</u> | <u>(123,034)</u> | <u>-</u> | <u>(3,380,171)</u> |
| Total other capital assets, net | <u>2,665,622</u> | <u>(123,034)</u> | <u>-</u> | <u>2,542,588</u> |
| Total capital assets, net | <u>\$ 2,911,603</u> | <u>\$ (123,034)</u> | <u>\$ -</u> | <u>\$ 2,788,569</u> |

Depreciation expense was charged to proprietary funds as follows:

| | |
|---|-------------------|
| Water fund | \$ 43,784 |
| Sewer fund | <u>79,250</u> |
| Total business-type activities depreciation expense | <u>\$ 123,034</u> |

NOTE 5—SHORT-TERM OBLIGATIONS

The Town issued a tax anticipation note to assist in the payment of operating expenditures during the year. The tax anticipation note is guaranteed to be repaid from the property tax revenue received from the December warrant.

The changes in short-term debt obligations for the year ended December 31, 2020 are as follows:

| | |
|-----------------------------|------------------------------------|
| | Tax Anticipation <u>Note</u> |
| Balance - January 1, 2020 | \$ 334,000 |
| Additions | 250,000 |
| Reductions | <u>(584,000)</u> |
| Balance - December 31, 2020 | <u>\$ -</u> |

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

Unused Tax Anticipation Note

The Town has an unused tax anticipation note in the amount of \$268,000 at December 31, 2020.

NOTE 6—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town’s long-term obligations for the year ended December 31, 2020 are as follows:

| | Balance <u>1/1/2020</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>12/31/2020</u> | Due Within <u>One Year</u> |
|------------------------------|----------------------------|------------------|-------------------|------------------------------|-------------------------------|
| Governmental activities: | | | | | |
| Compensated absences payable | \$ 28,613 | \$ 2,253 | \$ (7,524) | \$ 23,342 | \$ - |

Payments on compensated absences will be paid from the General Fund.

NOTE 7—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.

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

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

Funding Policy

Per RSA 100-A:16, contribution rates are established and may be amended by the New Hampshire State legislature and are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town’s contribution rates for the covered payroll of general employees and public safety employees were 0.29% and 3.66%, respectively, for the year ended December 31, 2020. Contributions to the OPEB plan for the Town were \$16,934 for the year ended December 31, 2020. 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, 2020, the Town reported a liability of \$168,823 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by a roll forward of the actuarial valuation from June 30, 2019. 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, 2020, the Town’s proportion was approximately 0.0386 percent, which was a decrease of 0.0011 percentage points from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Town recognized OPEB expense of \$10,246. At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of <u>Resources</u> | Deferred Inflows of <u>Resources</u> |
|---|---|--|
| Differences between expected and actual experience | | \$ 489 |
| Net difference between projected and actual earnings on OPEB plan investments | \$ 632 | |
| Changes of assumptions | 1,085 | |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | | 628 |
| Town contributions subsequent to the measurement date | <u>8,338</u> | |
| Totals | <u>\$ 10,055</u> | <u>\$ 1,117</u> |

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as an increase to unrestricted net position in the amount of \$8,938. The Town reported \$8,338 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the measurement periods as follows:

| <u>June 30,</u> | |
|-----------------|---------------|
| 2021 | \$ 16 |
| 2022 | 187 |
| 2023 | 223 |
| 2024 | <u>174</u> |
| | <u>\$ 600</u> |

Actuarial Assumptions

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2019, 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, 2019 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 following assumptions were changed in the current year:

- Reduced the assumed rate of investment return from 7.25% to 6.75%
- Reduced the discount rate from 7.25% to 6.75%
- Reduced wage inflation from 3.25% to 2.75% (2.25% for teachers)
- Reduced price inflation from 2.5% to 2.0%
- Updated demographic assumptions, including merit and longevity salary increases, disability rates, retirement rates, and mortality tables (specifically the new public pension plan mortality tables)
- Increased the medical subsidy margin for teachers from 0.20% to 0.50%

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

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

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% | 3.71-4.15% |
| International equity | 20% | 3.96-6.20% |
| Fixed income | 25% | 0.42-1.66% |
| Alternative investments | 15% | 4.81-7.71% |
| Real estate | <u>10%</u> | 2.95% |
| Total | <u>100%</u> | |

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

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

The following presents the Town’s proportionate share of the net OPEB liability calculated using the discount rate of 6.75 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 | Current Discount Rate | 1% Increase |
|--------------------|----------------|--------------------------|----------------|
| | <u>(5.75%)</u> | <u>(6.75%)</u> | <u>(7.75%)</u> |
| Net OPEB liability | \$ 183,324 | \$ 168,823 | \$ 156,233 |

NOTE 8—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.

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

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

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

Benefits Provided

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

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

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

| <u>Years of Creditable Services as of 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% |

Changes in Benefits

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

Funding Policy

Covered police officers are required to contribute 11.55% of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers and general employees were 24.77% and 10.88%, respectively, for the year ended December 31, 2020. The Town contributed 100% of the employer cost for public safety and general employees of the Town.

Per RSA 100-A:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's contributions to the NHRS for the year ended December 31, 2020 were \$182,278.

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

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

At December 31, 2020, the Town reported a liability of \$2,769,119 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by a roll forward of the actuarial valuation from June 30, 2019. 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, 2020, the Town's proportion was approximately 0.0433 percent, which was an increase of 0.0020 percentage points from its proportion measured as of June 30, 2019.

For the year ended December 31, 2020, the Town recognized pension expense of \$447,236. At December 31, 2020, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

| | Deferred Outflows of <u>Resources</u> | Deferred Inflows of <u>Resources</u> |
|---|---|--|
| Differences between expected and actual experience | \$ 74,780 | \$ 29,732 |
| Net difference between projected and actual earnings on pension plan investments | 171,273 | |
| Changes of assumptions | 273,921 | |
| Changes in proportion and differences between Town contributions and proportionate share of contributions | 85,592 | 19,488 |
| Town contributions subsequent to the measurement date | <u>89,276</u> | <u> </u> |
| Totals | <u>\$ 694,842</u> | <u>\$ 49,220</u> |

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$645,622. The Town reported \$89,276 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized as pension expense in the measurement periods as follows:

| <u>June 30,</u> | |
|-----------------|-------------------|
| 2021 | \$ 114,891 |
| 2022 | 140,824 |
| 2023 | 154,102 |
| 2024 | <u>146,529</u> |
| | <u>\$ 556,346</u> |

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2019, using the following actuarial assumptions.

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

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

The actuarial assumptions used in the June 30, 2019 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 following assumptions were changed in the current year:

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

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% | 3.71-4.15% |
| International equity | 20% | 3.96-6.20% |
| Fixed income | 25% | 0.42-1.66% |
| Alternative investments | 15% | 4.81-7.71% |
| Real estate | 10% | 2.95% |
| Total | <u>100%</u> | |

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

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> | Current Discount Rate <u>(6.75%)</u> | 1% Increase <u>(7.75%)</u> |
|---|-------------------------------|--|-------------------------------|
| Town's proportionate share of the net pension liability | \$ 3,584,882 | \$ 2,769,119 | \$ 2,102,532 |

NOTE 9—INTERFUND BALANCES AND TRANSFERS

The Town has combined the cash resources of its governmental and proprietary fund types. 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, 2020 are as follows:

| | General <u>Fund</u> | Due from | | | <u>Totals</u> |
|------------------------------------|------------------------|--|----------------------|----------------------|-------------------|
| | | Nonmajor Governmental <u>Funds</u> | Water <u>Fund</u> | Sewer <u>Fund</u> | |
| General Fund | | \$ 17,465 | \$ 9,479 | \$ 8,460 | \$ 35,404 |
| Due to Nonmajor Governmental Funds | \$ 6,649 | | | | 6,649 |
| Due to Water Fund | | | | 134,113 | 134,113 |
| Totals | <u>\$ 6,649</u> | <u>\$ 17,465</u> | <u>\$ 9,479</u> | <u>\$ 142,573</u> | <u>\$ 176,166</u> |

During the year, interfund transactions occurred between funds. Transfers out of the Permanent Funds to the General Fund in the amount of \$12,342 were made to distribute income earned on investments during the year to support the Town's programs. In addition, the General Fund transferred \$134,000 to the Ambulance Revolving Fund, a Nonmajor Governmental Fund, in accordance with budgetary authorizations.

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

NOTE 10—RESTRICTED NET POSITION

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

| | |
|-----------------------------|-------------------|
| Permanent Funds - Principal | \$ 637,750 |
| Permanent Funds - Income | 201,802 |
| Library | <u>146,432</u> |
| | <u>\$ 985,984</u> |

NOTE 11—COMPONENTS OF FUND BALANCE

The Town's fund balance components are comprised as follows:

| <u>Fund Balances</u> | <u>General Fund</u> | <u>Permanent Funds</u> | <u>Nonmajor Governmental Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|------------------------|------------------------------------|---------------------------------|
| Nonspendable: | | | | |
| Permanent Funds - Principal | | \$ 637,750 | | \$ 637,750 |
| Prepaid items | \$ 23,722 | | | 23,722 |
| Tax dedeed property | 43,076 | | | 43,076 |
| Restricted for: | | | | |
| Permanent Funds - Income | | 201,802 | | 201,802 |
| Library | 146,432 | | | 146,432 |
| Committed for: | | | | |
| Carryforward appropriations | 186,357 | | | 186,357 |
| Capital Reserves | 742,958 | | | 742,958 |
| Conservation | | | \$ 78,844 | 78,844 |
| Expendable Trusts | | | 107,124 | 107,124 |
| Transfer Station | | | 10,117 | 10,117 |
| Police Outside Details | | | 38,851 | 38,851 |
| Recreation | | | 11,877 | 11,877 |
| Ambulance | | | 142,504 | 142,504 |
| Assigned for: | | | | |
| Designated for subsequent year expenditures | 270,195 | | | 270,195 |
| Encumbrances | <u>97,658</u> | | | <u>97,658</u> |
| | <u>\$ 1,510,398</u> | <u>\$ 839,552</u> | <u>\$ 389,317</u> | <u>\$ 2,739,267</u> |

NOTE 12—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$347,549,588 as of April 1, 2020) and are due in two installments on July 6, 2020 and December 1, 2020. Taxes paid after the due dates accrue interest at 8% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year-end).

Under State law, the Tax Collector obtains tax liens on properties which have unpaid taxes in the following calendar year after taxes were due for the amount of unpaid taxes, interest and costs. Priority

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

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 Mascoma Valley Regional School District and Grafton 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 \$8,650,128 and \$680,693 for the Mascoma Valley Regional School District and Grafton County, respectively. These taxes are recognized in these financial statements within the fiduciary funds only. The Town bears responsibility for uncollected taxes.

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, 2020, 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, 2020.

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.

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2020

NOTE 14—COMMITMENTS AND CONTINGENCIES

Litigation

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

NOTE 15—SUBSEQUENT EVENTS

Debt Issuance Authorization

During March 2021, the Town authorized the issuance of bonds or notes payable not to exceed \$550,000 for the purpose of the Water Main Replacement project.

SCHEDULE 1
TOWN OF CANAAN, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended December 31, 2020

| | <u>Budgeted Amounts</u> | | <u>Actual Amounts</u> | Variance with Final Budget - Favorable (Unfavorable) |
|---|-------------------------|-------------------|---------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| Revenues: | | | | |
| Taxes | \$ 2,691,618 | \$ 2,691,618 | \$ 2,629,658 | \$ (61,960) |
| Licenses and permits | 785,969 | 785,969 | 829,095 | 43,126 |
| Intergovernmental | 7,902,051 | 641,879 | 797,822 | 155,943 |
| Charges for services | 55,000 | 55,000 | 59,913 | 4,913 |
| Interest income | 9,500 | 9,500 | 10,683 | 1,183 |
| Miscellaneous | 23,300 | 23,300 | 12,699 | (10,601) |
| Total Revenues | <u>11,467,438</u> | <u>4,207,266</u> | <u>4,339,870</u> | <u>132,604</u> |
| Expenditures: | | | | |
| Current operations: | | | | |
| General government | 1,288,378 | 1,288,378 | 1,247,455 | 40,923 |
| Public safety | 1,147,901 | 1,282,729 | 1,031,015 | 251,714 |
| Highways and streets | 959,344 | 959,344 | 833,148 | 126,196 |
| Sanitation | 220,847 | 220,847 | 247,116 | (26,269) |
| Health and welfare | 126,839 | 126,839 | 120,113 | 6,726 |
| Culture and recreation | 24,401 | 24,401 | 16,082 | 8,319 |
| Capital outlay | 8,083,360 | 322,003 | 210,025 | 111,978 |
| Debt service: | | | | |
| Principal retirement | 66,001 | 66,001 | - | 66,001 |
| Interest and fiscal charges | 7,001 | 7,001 | 11,725 | (4,724) |
| Total Expenditures | <u>11,924,072</u> | <u>4,297,543</u> | <u>3,716,679</u> | <u>580,864</u> |
| Excess revenues over (under) expenditures | <u>(456,634)</u> | <u>(90,277)</u> | <u>623,191</u> | <u>713,468</u> |
| Other financing sources (uses): | | | | |
| Transfers in | 268,000 | 88,000 | 81,801 | (6,199) |
| Transfers out | <u>(359,723)</u> | <u>(359,723)</u> | <u>(345,023)</u> | <u>14,700</u> |
| Total Other financing sources (uses) | <u>(91,723)</u> | <u>(271,723)</u> | <u>(263,222)</u> | <u>8,501</u> |
| Net change in fund balance | (548,357) | (362,000) | 359,969 | 721,969 |
| Fund Balance at beginning of year | | | | |
| - Budgetary Basis | <u>558,122</u> | <u>558,122</u> | <u>558,122</u> | <u>-</u> |
| Fund Balance at end of year | | | | |
| - Budgetary Basis | <u>\$ 9,765</u> | <u>\$ 196,122</u> | <u>\$ 918,091</u> | <u>\$ 721,969</u> |

See accompanying notes to the required supplementary information

SCHEDULE 2

TOWN OF CANAAN, NEW HAMPSHIRE

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

For the Year Ended December 31, 2020

| <u>Measurement Period Ended</u> | Cost-Sharing Multiple Employer Plan Information Only | | | | |
|---------------------------------|---|---|-------------------------------|--|--|
| | <u>Town's Proportion of the Net OPEB Liability</u> | <u>Town's Proportionate Share of the Net OPEB Liability</u> | <u>Town's Covered Payroll</u> | <u>Town's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u> | <u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u> |
| June 30, 2020 | 0.03856975% | \$ 168,823 | \$ 1,223,948 | 13.79% | 7.74% |
| June 30, 2019 | 0.03972088% | \$ 174,141 | \$ 1,077,885 | 16.16% | 7.75% |
| June 30, 2018 | 0.04227163% | \$ 193,539 | \$ 1,070,226 | 18.08% | 7.53% |
| June 30, 2017 | 0.02866370% | \$ 131,060 | \$ 997,162 | 13.14% | 7.91% |
| June 30, 2016 | 0.02819841% | \$ 136,510 | \$ 946,240 | 14.43% | 5.21% |

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

See accompanying notes to the required supplementary information

SCHEDULE 3
TOWN OF CANAAN, NEW HAMPSHIRE
Schedule of Town OPEB Contributions
For the Year Ended December 31, 2020

| 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, 2020 | \$ 16,934 | \$ (16,934) | \$ - | \$ 1,161,418 | 1.46% |
| December 31, 2019 | \$ 18,151 | \$ (18,151) | \$ - | \$ 1,206,996 | 1.50% |
| December 31, 2018 | \$ 18,677 | \$ (18,677) | \$ - | \$ 1,096,885 | 1.70% |
| December 31, 2017 | \$ 17,844 | \$ (17,844) | \$ - | \$ 1,023,827 | 1.74% |
| December 31, 2016 | \$ 16,861 | \$ (16,861) | \$ - | \$ 973,044 | 1.73% |

See accompanying notes to the required supplementary information

SCHEDULE 4

TOWN OF CANAAN, NEW HAMPSHIRE

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

For the Year Ended December 31, 2020

| <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, 2020 | 0.04329352% | \$ 2,769,119 | \$ 1,223,948 | 226.24% | 58.72% |
| June 30, 2019 | 0.04126806% | \$ 1,985,677 | \$ 1,077,885 | 184.22% | 65.59% |
| June 30, 2018 | 0.04179718% | \$ 2,012,619 | \$ 1,070,226 | 188.06% | 64.73% |
| June 30, 2017 | 0.04211241% | \$ 2,071,085 | \$ 997,162 | 207.70% | 62.66% |
| June 30, 2016 | 0.04118113% | \$ 2,189,846 | \$ 946,240 | 231.43% | 58.30% |
| June 30, 2015 | 0.04000351% | \$ 1,584,750 | \$ 931,817 | 170.07% | 65.47% |
| June 30, 2014 | 0.03824704% | \$ 1,435,635 | \$ 860,676 | 166.80% | 66.32% |
| June 30, 2013 | 0.03594569% | \$ 1,547,025 | \$ 781,213 | 198.03% | 59.81% |

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 | 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 CANAAN, NEW HAMPSHIRE
Schedule of Town Pension Contributions
For the Year Ended December 31, 2020

| <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, 2020 | \$ 182,278 | \$ (182,278) | \$ - | \$ 1,161,418 | 15.69% |
| December 31, 2019 | \$ 189,980 | \$ (189,980) | \$ - | \$ 1,206,996 | 15.74% |
| December 31, 2018 | \$ 179,234 | \$ (179,234) | \$ - | \$ 1,096,885 | 16.34% |
| December 31, 2017 | \$ 164,458 | \$ (164,458) | \$ - | \$ 1,023,827 | 16.06% |
| December 31, 2016 | \$ 151,448 | \$ (151,448) | \$ - | \$ 973,044 | 15.56% |
| December 31, 2015 | \$ 140,206 | \$ (140,206) | \$ - | \$ 936,284 | 14.97% |
| December 31, 2014 | \$ 125,738 | \$ (125,738) | \$ - | \$ 879,027 | 14.30% |
| December 31, 2013 | \$ 109,018 | \$ (109,018) | \$ - | \$ 839,363 | 12.99% |

See accompanying notes to the required supplementary information

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2020

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 under state regulations. 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 encumbrances, non-budgetary revenues and expenditures and budgetary transfers as follows:

| | Revenues and Other Financing <u>Sources</u> | Expenditures and Other Financing <u>Uses</u> |
|---|--|---|
| Per Exhibit D | \$ 4,350,319 | \$ 3,944,319 |
| Difference in property taxes meeting susceptible to accrual criteria | 30,017 | |
| Encumbrances - December 31, 2020 | | 97,658 |
| Encumbrances - December 31, 2019 | | (27,863) |
| Non-budgetary revenues and expenditures | (28,121) | (163,435) |
| Budgetary transfers | <u>69,459</u> | <u>211,023</u> |
| Per Schedule 1 | <u>\$ 4,421,674</u> | <u>\$ 4,061,702</u> |

NOTE 2—SCHEDULE OF CHANGES IN THE TOWN’S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY AND SCHEDULE OF TOWN OPEB CONTRIBUTIONS

In accordance with GASB Statement #75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the Town is required to disclose historical information for each of the prior ten years within a schedule of changes in the Town’s proportionate share of the net OPEB liability and schedule of Town OPEB contributions. The Town implemented the provisions of GASB Statement #75 during the year ended December 31, 2018. Accordingly, the historic information has only been presented for those years which information was readily available. Additional disclosures will be made in future years as additional information becomes available.

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

In accordance with GASB Statement #68, *Accounting and Financial Reporting for Pensions*, the Town is required to disclose historical information for each of the prior ten years within a schedule of changes in the Town’s proportionate share of the net pension liability, and schedule of Town pension contributions. The Town implemented the provisions of GASB Statement #68 during the year ended December 31, 2015. Accordingly, the historic information has only been presented for those years which

TOWN OF CANAAN, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
For the Year Ended December 31, 2020

information was readily available. Additional disclosures will be made in future years as the information becomes available.

SCHEDULE A
TOWN OF CANAAN, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2020

| | Conservation <u>Fund</u> | Expendable Trust <u>Funds</u> | Transfer Station <u>Fund</u> | Police Outside <u>Detail Fund</u> | Recreation Revolving <u>Fund</u> | Ambulance Revolving <u>Fund</u> | Total Nonmajor Governmental <u>Funds</u> |
|---|-----------------------------|-------------------------------------|------------------------------------|---|--|---------------------------------------|---|
| ASSETS | | | | | | | |
| Cash and cash equivalents | | | \$ 6,849 | \$ 38,160 | \$ 11,877 | \$ 79,714 | \$ 136,600 |
| Investments | \$ 75,463 | \$ 107,124 | | | | | 182,587 |
| Accounts receivable, net | | | | 1,275 | | 79,671 | 80,946 |
| Due from other funds | 3,381 | | 3,268 | | | | 6,649 |
| Total Assets | <u>78,844</u> | <u>107,124</u> | <u>10,117</u> | <u>39,435</u> | <u>11,877</u> | <u>159,385</u> | <u>406,782</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | |
| Total Deferred Outflows of Resources | - | - | - | - | - | - | - |
| Total Assets and Deferred Outflows of Resources | <u>\$ 78,844</u> | <u>\$ 107,124</u> | <u>\$ 10,117</u> | <u>\$ 39,435</u> | <u>\$ 11,877</u> | <u>\$ 159,385</u> | <u>\$ 406,782</u> |
| LIABILITIES | | | | | | | |
| Due to other funds | | | | \$ 584 | | \$ 16,881 | \$ 17,465 |
| Total Liabilities | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>584</u> | <u>\$ -</u> | <u>16,881</u> | <u>17,465</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | | | |
| Total Deferred Inflows of Resources | - | - | - | - | - | - | - |
| FUND BALANCES | | | | | | | |
| Committed | 78,844 | 107,124 | 10,117 | 38,851 | 11,877 | 142,504 | 389,317 |
| Total Fund Balances | <u>78,844</u> | <u>107,124</u> | <u>10,117</u> | <u>38,851</u> | <u>11,877</u> | <u>142,504</u> | <u>389,317</u> |
| Total Liabilities, Deferred Inflows of Resources and Fund Balances | <u>\$ 78,844</u> | <u>\$ 107,124</u> | <u>\$ 10,117</u> | <u>\$ 39,435</u> | <u>\$ 11,877</u> | <u>\$ 159,385</u> | <u>\$ 406,782</u> |

SCHEDULE B
TOWN OF CANAAN, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Funds
For the Year Ended December 31, 2020

| | Conservation <u>Fund</u> | Expendable Trust <u>Funds</u> | Transfer Station <u>Fund</u> | Police Outside <u>Detail Fund</u> | Recreation Revolving <u>Fund</u> | Ambulance Revolving <u>Fund</u> | Total Nonmajor Governmental <u>Funds</u> |
|---|-----------------------------|-------------------------------------|------------------------------------|---|--|---------------------------------------|---|
| Revenues: | | | | | | | |
| Taxes | \$ 5,000 | | | | | | \$ 5,000 |
| Intergovernmental | | | | \$ 5,788 | | \$ 25 | 5,813 |
| Charges for services | | | \$ 3,268 | 23,159 | \$ 12,408 | 158,316 | 197,151 |
| Interest and investment income | 466 | \$ 8,747 | 1 | 6 | 2 | | 9,222 |
| Miscellaneous | | 250 | | | 5,000 | 19,164 | 24,414 |
| Total Revenues | <u>5,466</u> | <u>8,997</u> | <u>3,269</u> | <u>28,953</u> | <u>17,410</u> | <u>177,505</u> | <u>241,600</u> |
| Expenditures: | | | | | | | |
| Current operations: | | | | | | | |
| Public safety | | | | 26,518 | | 288,067 | 314,585 |
| Culture and recreation | 275 | | | | 15,105 | | 15,380 |
| Total Expenditures | <u>275</u> | <u>-</u> | <u>-</u> | <u>26,518</u> | <u>15,105</u> | <u>288,067</u> | <u>329,965</u> |
| Excess revenues over (under) expenditures | <u>5,191</u> | <u>8,997</u> | <u>3,269</u> | <u>2,435</u> | <u>2,305</u> | <u>(110,562)</u> | <u>(88,365)</u> |
| Other financing sources (uses): | | | | | | | |
| Transfers in | | | | | | 134,000 | 134,000 |
| Total Other financing sources (uses) | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>134,000</u> | <u>134,000</u> |
| Net change in fund balances | 5,191 | 8,997 | 3,269 | 2,435 | 2,305 | 23,438 | 45,635 |
| Fund Balances at beginning of year | <u>73,653</u> | <u>98,127</u> | <u>6,848</u> | <u>36,416</u> | <u>9,572</u> | <u>119,066</u> | <u>343,682</u> |
| Fund Balances at end of year | <u>\$ 78,844</u> | <u>\$ 107,124</u> | <u>\$ 10,117</u> | <u>\$ 38,851</u> | <u>\$ 11,877</u> | <u>\$ 142,504</u> | <u>\$ 389,317</u> |