



TOWN OF TEMPLE, NEW HAMPSHIRE

Annual Financial Statements
For the Year Ended December 31, 2019

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INDEPENDENT AUDITORS' REPORT

To the Select Board
Town of Temple, New Hampshire

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Town of Temple, New Hampshire, as of December 31, 2019, and for the year then ended, 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

The Town's 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.

Auditors' 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 auditors' 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

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Andover, Massachusetts
Greenfield, Massachusetts
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accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that Management's Discussion and Analysis 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 evidence sufficient to express an opinion or provide any assurance.

Nashua, New Hampshire
September 15, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Town of Temple, New Hampshire (the Town), we offer readers this narrative overview and analysis of the financial activities of the Town for the year ended December 31, 2019.

A. Overview Of The Financial Statements

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how the Town's net position changed during the most recent fiscal 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 only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The governmental activities include general government, public safety, highways and streets, sanitation, health and welfare, library and recreation, and conservation.

Fund Financial Statements

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

Governmental 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 spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government'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, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

An annual appropriated budget is adopted for the general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the 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 own programs.

Notes to 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.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. Financial Highlights

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$3,099,111 (i.e., net position), a change of \$230,301 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$889,137 a change of \$140,482 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$573,061, a change of \$189,105 in comparison to the prior year.

C. Government-Wide Financial Analysis

The following is a summary of condensed government-wide financial data for the current and prior fiscal years (in thousands).

	NET POSITION	
	Governmental Activities	
	2019	2018
Current and other assets	\$ 2,419	\$ 2,306
Capital assets	<u>2,130</u>	<u>1,978</u>
Total assets	4,549	4,284
Long-term liabilities outstanding	42	9
Other liabilities	<u>1,408</u>	<u>1,407</u>
Total liabilities	1,450	1,416
Net investment in capital assets	2,131	1,943
Restricted	285	257
Unrestricted	<u>683</u>	<u>668</u>
Total net position	<u>\$ 3,099</u>	<u>\$ 2,868</u>

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. At the close of the most recent fiscal year, total net position was \$3,099,111, a change of \$230,301 in comparison to the prior year.

The largest portion of net position \$2,130,600 reflects our investment in capital assets (e.g., land, buildings, machinery, equipment, and infrastructure), less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position \$285,248 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position \$683,263 may be used to meet the government's ongoing obligations to citizens and creditors.

CHANGES IN NET POSITION

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues:		
Charges for services	\$ 277	\$ 261
Operating grants and contributions	76	75
General revenues:		
Property taxes	843	849
Penalties and interest on taxes	54	48
Grants and contributions not restricted to specific programs	72	72
Investment income	26	12
Other	71	63
Total revenues	1,419	1,380
Expenses:		
General government	382	372
Public safety	400	384
Highways and streets	274	374
Sanitation	63	63
Health and welfare	20	18
Library and recreation	52	58
Interest expense	-	1
Total expenses	1,191	1,270
Change in net position before permanent fund contributions	228	110
Permanent fund contributions	3	3
Change in net position	231	113
Net position - beginning of year	2,868	2,755
Net position - end of year	\$ 3,099	\$ 2,868

Governmental Activities

Governmental activities for the year resulted in a change in net position of \$230,301. Key elements of this change are as follows:

General fund operations, as discussed further in Section D	\$ 113,247
Nonmajor funds - operating results	27,235
Depreciation expense in excess of principal debt service	(28,718)
Other GAAP accruals	118,537
Total	\$ 230,301

D. Financial Analysis of Funds

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

As of the end of the current fiscal year, governmental funds reported combined ending fund balances of \$889,137, a change of \$140,482 in comparison to the prior year. Key elements of this change are as follows:

General fund operating results	\$ 113,247
Nonmajor fund results	<u>27,235</u>
Total	<u>\$ 140,482</u>

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$573,061, while total fund balance was \$603,889. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total general fund expenditures. Refer to the table below.

<u>General Fund</u>	<u>12/31/19</u>	<u>12/31/18</u>	<u>Change</u>	% of Total General Fund Expenditures
Unassigned fund balance	\$ 573,061	\$ 383,956	\$ 189,105	44.0%
Total fund balance	\$ 603,889	\$ 490,642	\$ 113,247	46.3%

The total fund balance of the general fund changed by \$113,247 during the current fiscal year. Key factors in this change are as follows:

Revenues in excess of budget	\$ 44,353
Expenditures less than budget	106,981
Other financing sources/uses in excess of budget	(11,625)
Use of fund balance as a funding source	(103,000)
Excess tax collections compared to net levy	41,172
Change in capital reserve	30,828
Other	<u>4,538</u>
Total	<u>\$ 113,247</u>

Included in the total general fund balance are the Town's capital reserve account(s) with the following balance(s):

	<u>12/31/19</u>	<u>12/31/18</u>	<u>Change</u>
Capital reserve	\$ 102,095	\$ 71,267	\$ 30,828

E. General Fund Budgetary Highlights

There were no major differences between the original budget and the final amended budget.

F. Capital Asset and Debt Administration

Capital Assets

Total investment in capital assets for governmental at year-end amounted to \$2,130,600 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Additional information on capital assets can be found in the Notes to Financial Statements.

Requests For Information

This financial report is designed to provide a general overview of the Town's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Board of Selectmen
Town of Temple
P.O. Box 191
Temple, New Hampshire 03084

TOWN OF TEMPLE, NEW HAMPSHIRE

Statement of Net Position December 31, 2019

	Governmental Activities
Assets	
Current:	
Cash and short-term investments	\$ 2,161,209
Receivables, net of allowance for uncollectibles:	
Property taxes	177,118
Other assets	<u>3,864</u>
Total Current Assets	2,342,191
Noncurrent:	
Receivables, net of allowance for uncollectibles:	
Property taxes	76,884
Capital Assets:	
Land and construction in progress	621,438
Other capital assets, net of accumulated depreciation	<u>1,509,162</u>
Total Noncurrent Assets	2,207,484
Total Assets	4,549,675
Liabilities	
Current:	
Accounts payable	63,621
Due to school district	1,310,754
Accrued expenses	3,189
Other current liabilities	<u>36,500</u>
Total Current Liabilities	1,414,064
Noncurrent:	
Other, net of current portion	<u>36,500</u>
Total Noncurrent Liabilities	36,500
Total Liabilities	1,450,564
Net Position	
Net investment in capital assets	2,130,600
Restricted for:	
Other purposes	160,721
Permanent funds:	
Nonexpendable	80,837
Expendable	43,690
Other purposes	
Unrestricted	<u>683,263</u>
Total Net Position	\$ <u><u>3,099,111</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF TEMPLE, NEW HAMPSHIRE

Statement of Activities For the Year Ended December 31, 2019

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position
			Operating	
	Expenses	Charges for Services	Grants and Contributions	Governmental Activities
Governmental Activities:				
General government	\$ 382,101	\$ 277,040	\$ -	\$ (105,061)
Public safety	399,635	143	-	(399,492)
Highways and streets	274,020	-	75,003	(199,017)
Sanitation	63,346	-	-	(63,346)
Health and welfare	20,188	-	-	(20,188)
Library and recreation	51,682	-	574	(51,108)
Conservation	250	-	-	(250)
Interest	99	-	-	(99)
Total Governmental Activities	\$ <u>1,191,321</u>	\$ <u>277,183</u>	\$ <u>75,577</u>	(838,561)
General Revenues and Transfers				
				842,582
Property taxes				54,387
Penalties, interest and other taxes				71,417
Grants and contributions not restricted to specific programs				25,693
Investment income				71,395
Miscellaneous				<u>1,065,474</u>
Total general revenues				
Change in Net Position before permanent fund contributions				226,913
Permanent fund contributions				<u>3,388</u>
Change in Net Position				230,301
Net Position				
Beginning of year				<u>2,868,810</u>
End of year				\$ <u><u>3,099,111</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF TEMPLE, NEW HAMPSHIRE

Governmental Funds
Balance Sheet
December 31, 2019

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Assets			
Cash and short-term investments	\$ 1,875,961	\$ 285,248	\$ 2,161,209
Receivables:			
Property taxes	282,225	-	282,225
Other assets	3,864	-	3,864
Total Assets	<u>\$ 2,162,050</u>	<u>\$ 285,248</u>	<u>\$ 2,447,298</u>
Liabilities			
Accounts payable	\$ 63,621	\$ -	\$ 63,621
Due to school district	1,310,754	-	1,310,754
Accrued expenses	3,189	-	3,189
Total Liabilities	<u>1,377,564</u>	<u>-</u>	<u>1,377,564</u>
Deferred Inflows of Resources			
Unavailable revenues	180,597	-	180,597
Fund Balances			
Nonspendable	-	80,837	80,837
Restricted	-	204,411	204,411
Committed	30,828	-	30,828
Unassigned	573,061	-	573,061
Total Fund Balances	<u>603,889</u>	<u>285,248</u>	<u>889,137</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 2,162,050</u>	<u>\$ 285,248</u>	<u>\$ 2,447,298</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF TEMPLE, NEW HAMPSHIRE

Reconciliation of Total Governmental Fund Balances
to Net Position of Governmental Activities
in the Statement of Net Position
December 31, 2019

Total governmental fund balances	\$ 889,137
<ul style="list-style-type: none">Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	2,130,600
<ul style="list-style-type: none">Revenues are reported on the accrual basis of accounting and are not deferred until collection.	152,374
<ul style="list-style-type: none">Long-term liabilities, including bonds payable and accrued compensated absences are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(73,000)</u>
Net position of governmental activities	\$ <u><u>3,099,111</u></u>

The accompanying notes are an integral part of these financial statements.

TOWN OF TEMPLE, NEW HAMPSHIRE

Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances For the Year Ended December 31, 2019

	<u>General</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues			
Taxes	\$ 877,739	\$ -	\$ 877,739
Penalties, interest and other taxes	54,387	-	54,387
Licenses and permits	279,530	-	279,530
Intergovernmental	146,994	-	146,994
Departmental	3,385	-	3,385
Investment income	23,040	2,653	25,693
Contributions	-	1,229	1,229
Miscellaneous	<u>32,031</u>	<u>35,791</u>	<u>67,822</u>
Total Revenues	1,417,106	39,673	1,456,779
Expenditures			
Current:			
General government	355,414	6,984	362,398
Public safety	371,461	-	371,461
Highways and streets	364,330	-	364,330
Sanitation	63,346	-	63,346
Health and welfare	20,188	-	20,188
Library and recreation	44,828	5,454	50,282
Conservation	250	-	250
Debt service	35,712	-	35,712
Capital outlay	<u>48,330</u>	<u>-</u>	<u>48,330</u>
Total Expenditures	1,303,859	12,438	1,316,297
Excess (deficiency) of revenues over expenditures	113,247	27,235	140,482
Fund Balance, at Beginning of Year	<u>490,642</u>	<u>258,013</u>	<u>748,655</u>
Fund Balance, at End of Year	<u>\$ 603,889</u>	<u>\$ 285,248</u>	<u>\$ 889,137</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF TEMPLE, NEW HAMPSHIRE

Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
or the Year Ended December 31, 2019

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS \$ 140,482

- 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 and reported as depreciation expense:

Capital outlay	253,164
Depreciation	(100,552)

- The issuance of long-term debt (e.g., bonds and leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Repayments of bonds	35,334
Repayments of capital lease	36,500
Issuance of capital lease	(109,500)

Revenues in the Statement of Activities that do not provide current financial resources are fully deferred in the Statement of Revenues, Expenditures and Changes in Fund Balances. Therefore, the recognition of revenue for various types of accounts receivable (i.e., real estate and personal property, motor vehicle excise, etc.) differ between the two statements. This amount represents the net change in deferred revenue.

(34,878)

- Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.

9,751

CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 230,301

The accompanying notes are an integral part of these financial statements.

The accompanying notes are an integral part of these financial statements.

General Fund
Statement of Revenues and Other Sources, and Expenditures and Other Uses – Budget and Actual
For the Year Ended December 31, 2019

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
Revenues				
Property taxes	\$ 836,567	\$ 836,567	\$ 836,567	\$ -
Penalties, interest and other taxes	30,985	30,985	54,387	23,402
Licenses and permits	268,000	268,000	279,530	11,530
Intergovernmental	146,937	146,937	146,994	57
Charges for services	300	300	3,385	3,085
Investment income	21,000	21,000	21,212	212
Miscellaneous	22,589	22,589	28,656	6,067
Total Revenues	<u>1,326,378</u>	<u>1,326,378</u>	<u>1,370,731</u>	<u>44,353</u>
Expenditures				
General government	372,581	375,053	355,414	19,639
Public safety	375,030	375,030	371,461	3,569
Highways and streets	427,918	427,918	372,038	55,880
Sanitation	63,903	63,903	63,346	557
Health and welfare	31,159	31,159	20,188	10,971
Library and recreation	53,655	53,655	44,828	8,827
Conservation	454	454	250	204
Debt service	38,956	38,956	32,542	6,414
Capital outlay	49,250	49,250	48,330	920
Total Expenditures	<u>1,412,906</u>	<u>1,415,378</u>	<u>1,308,397</u>	<u>106,981</u>
Excess (deficiency) of revenues over expenditures	\$ (86,528)	\$ (89,000)	\$ 62,334	\$ 151,334
Other Financing Sources/Uses				
Transfers in	15,000	15,000	3,375	(11,625)
Transfers out	(29,000)	(29,000)	(29,000)	-
Other source(s)	103,000	103,000	103,000	-
Total Other Financing Sources/Uses	<u>89,000</u>	<u>89,000</u>	<u>77,375</u>	<u>(11,625)</u>
Excess (deficiency) of revenues and other sources over expenditures and other uses	\$ <u>2,472</u>	\$ <u>-</u>	\$ <u>139,709</u>	\$ <u>139,709</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF TEMPLE, NEW HAMPSHIRE

Fiduciary Funds
Statement of Fiduciary Net Position
December 31, 2019

	Private Purpose Trust <u>Funds</u>
Assets	
Cash and short-term investments	\$ 7,500
Investments:	
Certificates of deposit	<u>64,929</u>
Total Assets	72,429
Net Position	
Restricted for other purposes	<u>72,429</u>
Total Net Position	<u>\$ 72,429</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF TEMPLE, NEW HAMPSHIRE

Fiduciary Funds
Statement of Changes in Fiduciary Net Position
For the Year Ended December 31, 2019

	Private Purpose <u>Funds</u>
Additions	
Investment income	\$ 482
Contributions	<u>800</u>
Total additions	1,282
Deductions	
Other	<u>100</u>
Total deductions	<u>100</u>
Net increase	1,182
Net position	
Beginning of year	<u>71,247</u>
End of year	<u>\$ 72,429</u>

The accompanying notes are an integral part of these financial statements.

TOWN OF TEMPLE, NEW HAMPSHIRE

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of the Town of Temple (the Town) conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

Reporting Entity

The Town is a municipal corporation governed by an elected Board of Selectmen. As required by generally accepted accounting principles, these financial statements present the government and applicable component units for which the government is considered to be financially accountable. In 2019, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

Government-wide and Fund Financial Statements

Government-wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes, are reported separately.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Fund Financial Statements

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when

earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as *program revenues* include (1) charges to customers or applicants for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Fund Financial Statements

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town considers property tax revenues to be available if they are collected within 60 days of the end of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures such as debt service, claims and judgments, and compensated absences, are recorded only when payment is due.

The Town reports the following major governmental funds:

- The *general fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Under this method, revenues are recognized when earned and expenses are recorded when liabilities are incurred.

The Town reports the following fiduciary funds:

- The *private-purpose trust fund* is used to account for trust arrangements, other than those properly reported in the pension trust fund or permanent fund, under which principal and investment income exclusively benefit individuals, private organizations, or other governments.

Cash and Short-Term Investments

Cash balances from all funds, except those required to be segregated by law, are combined to form a consolidation of cash. Cash balances are invested to the extent available, and interest earnings are recognized in the general fund. Certain fiduciary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts.

Investments

State and local statutes place certain limitations on the nature of deposits and investments available. Deposits in any financial institution may not exceed certain levels within the financial institution. Non-fiduciary fund investments can be made in securities issued by or unconditionally guaranteed by the U.S. Government or agencies that have a maturity of one year or less from the date of purchase and repurchase agreements guaranteed by such securities with maturity dates of no more than 90 days from the date of purchase.

Investments for the Trust Funds consist of marketable securities, bonds, and short-term money market investments. Investments are carried at fair value.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the governmental activities columns in the government-wide financial statements. Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets is included as part of the capitalized value of the assets constructed.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Building improvements	20
Infrastructure	50 - 75
Vehicles	5
Office equipment	5
Computer equipment	5

Compensated Absences

It is the Town's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. All vested sick and vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-Term Obligations

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

Fund Equity

Fund equity at the governmental fund financial reporting level is classified as "fund balance". Fund equity for all other reporting is classified as "net position".

Fund Balance

Generally, fund balance represents the difference between the current assets/deferred outflows and current liabilities/deferred inflows. The Town reserves those portions of fund balance that are legally segregated for a specific future use or which do not represent available, spendable resources and therefore, are not available for appropriation or expenditure. Unassigned fund balance indicates that portion of fund balance that is available for appropriation in future periods.

When an expenditure is incurred that would qualify for payment from multiple fund balance types, the Town uses the following order to liquidate liabilities: restricted, committed, assigned, and unassigned.

Net Position

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets, consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing 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. The remaining net position is reported as unrestricted.

Use of Estimates

The preparation of basic financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the

revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Stewardship, Compliance, and Accountability

Budgetary Information

The Town's budget is originally prepared by the Budget Advisory Committee (BAC) in cooperation with the various department heads. The CIP Committee also works to level the municipal tax burden through the use of a 10 year investment plan and use of various capital reserve funds. The resulting budget is reviewed by the Board of Selectmen which then presents its budget at the Budget Hearing in February.

The approved budget is subsequently reported to the State of New Hampshire on the statement of appropriation form in order to establish the current property tax rate.

The Selectmen cannot increase the total of the approved budget; however, they have the power to reclassify its components when necessary.

At year-end, appropriation balances lapse, except for certain unexpended capital items and encumbrances which will be honored during the subsequent year.

Budgetary Basis

The general fund final appropriation appearing on the "Budget and Actual" page of the fund financial statements represents the final amended budget after all reserve fund transfers and supplemental appropriations.

Budget/GAAP Reconciliation

The budgetary data for the general fund is based upon accounting principles that differ from generally accepted accounting principles (GAAP). Therefore, in addition to the GAAP basis financial statements, the results of operations of the general fund are presented in accordance with budgetary accounting principles to provide a meaningful comparison to budgetary data.

The following is a summary of adjustments made to the actual revenues and other sources, and expenditures and other uses, to conform to the budgetary basis of accounting.

<u>General Fund</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Other Financing Sources/Uses</u>
Revenues/expenditures/transfers (GAAP basis)	\$ 1,417,106	\$ 1,303,859	\$ -
Adjust tax revenue to accrual basis	(41,172)	-	
Recognize use of fund balance as funding source/use		-	103,000
Remove effect of combining capital reserves and general fund	(1,828)	-	(29,000)
Other timing differences	<u>(3,375)</u>	<u>4,538</u>	<u>3,375</u>
Budgetary basis	<u>\$ 1,370,731</u>	<u>\$ 1,308,397</u>	<u>\$ 77,375</u>

3. Cash and Short-Term Investments

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. RSA 48:16 limits "deposit in any one bank shall not at any time exceed the sum of its paid-up capital and surplus, exception that a town with a population in excess of 50,000 is authorized to deposit funds in a solvent bank in excess of the paid-up capital surplus of said bank." The Town does not have a deposit policy for custodial credit risk.

As of December 31, 2019, none of the Town's bank balance of \$2,177,484 was exposed to custodial credit risk as uninsured or uncollateralized.

4. Investments

The following is a summary of the Town's investments as of December 31, 2019 (in thousands):

<u>Investment Type</u>	<u>Amount</u>
Certificates of deposits	\$ 65
Total investments	<u>\$ 65</u>

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law employs the prudent person rule whereby

investments are made as a prudent person would be expected to act, with discretion and intelligence, to seek reasonable income, preserve capital, and, in general, avoid speculative investments.

The Town does not have formal investment policies related to credit risk.

Presented below is the actual rating as of year-end for each investment type of the Town. (in thousands)

<u>Investment Type</u>	<u>Rating as of Year End</u>	
	<u>Amount</u>	<u>Unrated</u>
Certificates of deposit	\$ <u>65</u>	\$ <u>65</u>
Total	\$ <u>65</u>	\$ <u>65</u>

Custodial Credit Risk

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) 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 does not have policies for custodial credit risk.

The Town does not have formal investment policies related to custodial credit risk.

As of December 31, 2019, \$64,929 of the Town's total investments were subject to custodial credit risk exposure because the related securities are uninsured, unregistered, and/or held by the Town's brokerage firm, which is also the counterparty to these securities as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Held by</u>
		<u>Counterparty</u>
Certificates of deposit	\$ <u>65</u>	\$ <u>65</u>
Total	\$ <u>65</u>	\$ <u>65</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Town does not have a formal investment policies limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is as follows (in thousands):

<u>Investment Type</u>	<u>Amount</u>	<u>Less Than 1</u>
Certificates of deposits	\$ <u>65</u>	\$ <u>65</u>
Total	\$ <u><u>65</u></u>	\$ <u><u>65</u></u>

Foreign Currency Risk

Foreign currency risk is the risk that changes in foreign exchange rates will adversely affect the fair value of an investment. The does not have formal investment policies related to foreign currency risk.

Fair Value

The Town categorizes its fair value measurements within the fair value hierarchy established by Governmental Accounting Standards Board Statement No. 72 *Fair Value Measurement and Application* (GASB 72).

The hierarchy is based on the valuation inputs used to measure the fair value of the asset and give the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurements) and the lowest priority to unobservable inputs (level 3 measurements). The hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows:

- Level 1 – inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the fund has the ability to access at the measurement date.
- Level 2 – inputs other than quoted prices that are observable for an asset or liability either directly or indirectly, including inputs in markets that are not considered to be active. Because they must often be priced on the basis of transactions involving similar but not identical securities or do not trade with sufficient frequency, certain directly held securities are categorized as level 2.
- Level 3 – unobservable inputs based on the best information available, using assumptions in determining the fair value of investments and derivative instruments.

In instances where inputs used to measure fair value fall into different levels in the fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation.

The Town has the following fair value measurements as of December 31, 2019 (in thousands):

<u>Investment Type</u>	<u>Amount</u>	Significant observable inputs (Level 2)
Investments by fair value level:		
Certificates of deposits	\$ <u>65</u>	\$ 65
Total	\$ <u><u>65</u></u>	

Equity securities classified in Level 1 are valued using prices quoted in active markets for those securities.

Debt securities classified in Level 2 are valued using either a bid evaluation or a matrix pricing technique. Bid evaluations may include market quotations, yields, maturities, call features, and ratings. Matrix pricing is used to value securities based on the securities relationship to benchmark quote prices. Level 2 debt securities have non-proprietary information that was readily available to market participants, from multiple independent sources, which are known to be actively involved in the market.

5. **Property Taxes Receivable**

The Town bills property taxes semi-annually, in June and November. Property tax revenues are recognized in the fiscal year for which taxes have been levied. Property taxes billed or collected in advance of the year for which they are levied, are recorded as a prepaid tax liability.

Property taxes are due on July 1 and December 1. Delinquent accounts are charged 8% interest. In March of the next year, a lien is recorded on delinquent property at the Registry of Deeds. The Town purchases all the delinquent accounts by paying the delinquent balance, recording costs, and accrued interest. The accounts that are liened by the Town will be reclassified from property taxes receivable to unredeemed tax liens receivable. After this date, delinquent accounts will be charged interest at a rate of 14%. The Town annually budgets amounts (overlay for abatements) for property tax abatements and refunds.

Property taxes receivable at December 31, 2019 consist of the following:

	Gross Amount (fund basis)	Allowance for Doubtful Accounts	Current Portion	Long- Term Portion
Real estate taxes	\$ 196,798	\$ (19,680)	\$ 177,118	\$ -
Tax liens	85,427	(8,543)	-	76,884
Total property taxes	<u>\$ 282,225</u>	<u>\$ (28,223)</u>	<u>\$ 177,118</u>	<u>\$ 76,884</u>

6. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows (in thousands):

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Buildings and improvements	\$ 741	\$ -	\$ -	\$ 741
Machinery, equipment, and furnishings	1,184	109	-	1,293
Infrastructure	778	144	-	922
Total capital assets, being depreciated	2,703	253	-	2,956
Less accumulated depreciation for:				
Buildings and improvements	(267)	(19)	-	(286)
Machinery, equipment, and furnishings	(1,036)	(63)	-	(1,099)
Infrastructure	(44)	(19)	-	(63)
Total accumulated depreciation	(1,347)	(101)	-	(1,448)
Total capital assets, being depreciated, net	1,356	152	-	1,508
Capital assets, not being depreciated:				
Land	597	-	-	597
Construction in progress	25	-	-	25
Total capital assets, not being depreciated	622	-	-	622
Governmental activities capital assets, net	<u>\$ 1,978</u>	<u>\$ 152</u>	<u>\$ -</u>	<u>\$ 2,130</u>

Depreciation expense was charged to functions of the Town as follows (in thousands):

Governmental Activities	
General government	\$ 16
Public safety	22
Public works	61
Culture and recreation	2
Total governmental activities	<u>\$ 101</u>

7. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses represent 2019 expenditures paid after December 31, 2019.

8. Due to School District

The total school district assessments for the period July 1, 2019 through June 30, 2020 were \$2,625,988. The school district assessments are paid in monthly installments. As of December 31, 2019, a total of \$1,315,234 was paid, leaving a balance of \$1,310,754 to be paid through June 30, 2020.

9. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2021. Future minimum lease payments under the capital and operating leases consisted of the following as of December 31, 2019:

	<u>Fiscal Year</u>	<u>Capital Leases</u>
	2020	\$ 38,307
	2021	38,307
	Thereafter	-
Total payments		<u>76,614</u>
Less amounts representing interest		<u>3,614</u>
Present Value of Minimum Lease Payments		<u>\$ 73,000</u>

	<u>Governmental Activities</u>
Machinery, vehicles and equipment	\$ 109,500
Less: accumulated depreciation	<u>-</u>
Equipment under capital leases, net	<u>\$ 109,500</u>

10. Long-Term Debt

Changes in General Long-Term Liabilities

During the year ended December 31, 2019, the following changes occurred in long-term liabilities:

	Beginning Balance	Additions	Reductions	Ending Balance	Less Current Portion	Equals Long-Term Portion
<u>Governmental Activities</u>						
Bonds payable	\$ 35,334	\$ -	\$ (35,334)	\$ -	\$ -	\$ -
Other:						
Compensated absences	9,751	-	(9,751)	-	-	-
Capital lease	-	109,500	(36,500)	73,000	(36,500)	36,500
Totals	\$ 45,085	\$ 109,500	\$ (81,585)	\$ 73,000	\$ (36,500)	\$ 36,500

Long-Term Debt Supporting Governmental Activities

General obligation bonds issued by the Town for various municipal projects are approved by Town Meeting and repaid with revenues recorded in the general fund. All other long-term debt is repaid from the funds that the cost relates to, primarily the general fund.

11. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position by the Town that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. *Unavailable revenues* are reported in the governmental funds balance sheet in connection with receivables for which revenues are not considered available to liquidate liabilities of the current year.

12. Governmental Funds - Balances

Fund balances are segregated to account for resources that are either not available for expenditure in the future or are legally set aside for a specific future use.

The Town has implemented *GASB Statement No. 54 (GASB 54), Fund Balance Reporting and Governmental Fund Type Definitions*, which enhances the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying existing governmental fund type definitions.

The following types of fund balances are reported at December 31, 2019:

Nonspendable

Represents amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. This fund balance classification includes general fund reserves for prepaid expenditures and nonmajor governmental fund reserves for the principal portion of permanent trust funds.

Restricted

Represents amounts that are restricted to specific purposes by constraints imposed by creditors, grantors, contributors, or laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation. This fund balance classification includes general fund encumbrances funded by bond issuances, various special revenue funds, and the income portion of permanent trust funds.

Committed

Represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Town's highest level of decision-making authority. This fund balance classification includes general fund encumbrances for non-lapsing, special article appropriations approved at Town Meeting, capital reserve funds set aside by Town Meeting vote for future capital acquisitions and improvements (now reported as part of the general fund per GASB 54), and various special revenue funds.

Assigned

Represents amounts that are constrained by the Town's intent to use these resources for a specific purpose. This fund balance classification includes general fund encumbrances that have been established by various Town departments for the expenditure of current year budgetary financial resources upon vendor performance in the subsequent budgetary period, and surplus set aside to be used in the subsequent year's budget.

Unassigned

Represents amounts that are available to be spent in future periods.

Following is a breakdown of the Town's fund balances at December 31, 2019:

	General Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable			
Nonexpendable permanent funds	\$ -	\$ 80,837	\$ 80,837
Total nonspendable	-	80,837	80,837
Restricted			
Special revenue funds	-	160,721	160,721
Expendable permanent funds	-	43,690	43,690
Total restricted	-	204,411	204,411
Committed			
Capital reserve funds	30,828	-	30,828
Total committed	30,828	-	30,828
Unassigned			
General fund	573,061	-	573,061
Total unassigned	573,061	-	573,061
Total fund balances	\$ 603,889	\$ 285,248	\$ 889,137

13. Commitments and Contingencies

Grants

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount of expenditures which may be disallowed by the grantor cannot be determined at this time, although the Town expects such amounts, if any, to be immaterial.

COVID-19

The COVID-19 outbreak in the United States (and across the globe) has resulted in economic uncertainties. There is considerable uncertainty around the duration and scope of the economic disruption. The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on individuals served by the Town, employees, and vendors, all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition or results of operations is uncertain.

14. Subsequent Events

Management has evaluated subsequent events through September 15, 2020, which is the date the financial statements were available to be issued.