



# **TOWN OF GORHAM NEW HAMPSHIRE**

Financial Statements  
For the Year Ended December 31, 2019

(With Independent Auditors' Report Thereon)

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## INDEPENDENT AUDITORS' REPORT

To the Board of Selectmen  
Town of Gorham, 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 Gorham, New Hampshire, as of and for the year ended December 31, 2019, 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 Town'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 Town'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.

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Merrimack, New Hampshire  
Andover, Massachusetts  
Greenfield, Massachusetts  
Ellsworth, Maine

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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 business-type activities, each major fund, and the aggregate remaining fund information of the Town of Gorham, New Hampshire, as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flows thereof 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, the Budgetary Comparison for the General Fund, and certain Pension and OPEB schedules 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.

#### ***Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Town's basic financial statements. The accompanying supplementary information appearing on pages 53 through 54 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards



generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

*Melanson*

Merrimack, New Hampshire  
April 16, 2021

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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

### **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 required/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, liabilities, and deferred outflows/inflows of resources 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 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 periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, sanitation, economic development, culture and recreation, and conservation. The business-type activities include water and sewer activities.

#### ***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 proprietary 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 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.

***Proprietary Funds***

Proprietary fund reporting focuses on the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. The proprietary fund category includes enterprise and internal service funds.

Enterprise funds are used to report activity for which a fee is charged to external users, and must be used when one of the following criteria are met: (1) activity is financed with debt that is secured solely by a pledge of the net revenues from fees and charges, (2) laws or regulations require the activity's costs of providing services be recovered with fees and charges, and (3) the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs such as depreciation or debt service. The primary focus on these criteria is on fees charged to external users. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements, only in more detail. Specifically, enterprise funds are used to account for water and sewer operations, which are considered to be major funds.

***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.

***Required/other supplementary information (other than MD&A)***

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.



## Financial Highlights

- As of the close of the current year, net position in governmental activities was \$23,739,429, a change of \$(281,837), and net position in business-type activities was \$21,733,948, a change of \$(72,582).
- As of the close of the current year, governmental funds reported combined ending fund balances of \$2,963,532, a change of \$(142,260) in comparison to the prior year.
- At the end of the current year, unassigned fund balance for the general fund was \$972,813, a change of \$266,380 in comparison to the prior year.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior years.

	NET POSITION					
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 5,858,612	\$ 6,560,495	\$ 426,688	\$ 508,575	\$ 6,285,300	\$ 7,069,070
Noncurrent assets	<u>23,675,751</u>	<u>23,417,605</u>	<u>21,861,340</u>	<u>21,820,406</u>	<u>45,537,091</u>	<u>45,238,011</u>
Total assets	29,534,363	29,978,100	22,288,028	22,328,981	51,822,391	52,307,081
Deferred outflows of resources	264,898	431,331	40,020	63,701	304,918	495,032
Current liabilities	2,385,637	2,370,496	32,191	(7,768)	2,417,828	2,362,728
Noncurrent liabilities	<u>3,331,804</u>	<u>3,740,740</u>	<u>510,179</u>	<u>553,023</u>	<u>3,841,983</u>	<u>4,293,763</u>
Total liabilities	5,717,441	6,111,236	542,370	545,255	6,259,811	6,656,491
Deferred inflows of resources	342,391	276,929	51,730	40,897	394,121	317,826
Net investment in capital assets	23,258,023	23,296,897	21,930,395	21,917,527	45,188,418	45,214,424
Restricted	577,959	472,270	-	-	577,959	472,270
Unrestricted	<u>(96,553)</u>	<u>252,099</u>	<u>(196,447)</u>	<u>(110,997)</u>	<u>(293,000)</u>	<u>141,102</u>
Total net position	<u>\$ 23,739,429</u>	<u>\$ 24,021,266</u>	<u>\$ 21,733,948</u>	<u>\$ 21,806,530</u>	<u>\$ 45,473,377</u>	<u>\$ 45,827,796</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 year, total net position was \$45,473,377, a change of \$(354,419) in comparison to the prior year.

The largest portion of net position \$45,188,418 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 \$577,959 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position reflects a deficit of \$(293,000) primarily resulting from unfunded pension and OPEB liabilities.

CHANGES IN NET POSITION						
	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	\$ 648,528	\$ 684,165	\$ 889,053	\$ 837,984	\$ 1,537,581	\$ 1,522,149
Operating grants and contributions	174,613	433,364	-	45,136	174,613	478,500
General revenues:						
Property taxes	3,060,207	3,325,147	-	-	3,060,207	3,325,147
Motor vehicle permits	667,889	601,384	-	-	667,889	601,384
Penalties and interest on taxes	203,860	128,015	-	-	203,860	128,015
Grants and contributions not restricted to specific programs	214,753	218,459	-	-	214,753	218,459
Investment income	31,161	21,990	440	48	31,601	22,038
Other	10,998	19,293	-	-	10,998	19,293
Total revenues	5,012,009	5,431,817	889,493	883,168	5,901,502	6,314,985
Expenses:						
General government	1,319,542	935,558	-	-	1,319,542	935,558
Public safety	1,391,602	1,392,194	-	-	1,391,602	1,392,194
Highways and streets	1,573,675	1,150,289	-	-	1,573,675	1,150,289
Sanitation	409,284	413,946	-	-	409,284	413,946
Human services	67,356	64,649	-	-	67,356	64,649
Welfare	5,253	8,089	-	-	5,253	8,089
Culture and recreation	512,515	471,581	-	-	512,515	471,581
Interest on long-term debt	14,619	5,815	-	-	14,619	5,815
Water services	-	-	490,078	463,708	490,078	463,708
Sewer services	-	-	471,997	483,607	471,997	483,607
Total expenses	5,293,846	4,442,121	962,075	947,315	6,255,921	5,389,436
Change in net position	(281,837)	989,696	(72,582)	(64,147)	(354,419)	925,549
Net position - beginning of year	24,021,266	23,031,570	21,806,530	21,870,677	45,827,796	44,902,247
Net position - end of year	\$ 23,739,429	\$ 24,021,266	\$ 21,733,948	\$ 21,806,530	\$ 45,473,377	\$ 45,827,796

### Governmental Activities

Governmental activities for the year resulted in a change in net position of \$(281,837). Key elements of this change are as follows:

General fund operations	\$ 40,525
Depreciation in excess of principal debt service expense	(230,949)
Change in pension expense from GASB 68	(6,609)
Change in OPEB expense from GASB 75	134,220
Other	(219,024)
Total	\$ (281,837)

**Business-type activities**

Business-type activities for the year resulted in a change in net position of \$(72,582). Key elements of this change are as follows:

Water operations	\$ (36,159)
Sewer operations	<u>(36,423)</u>
Total	<u>\$ (72,582)</u>

**Financial Analysis of the Town's 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 year.

**General Fund**

The general fund is the chief operating fund. At the end of the current year, unassigned fund balance of the general fund was \$972,813, while total fund balance was \$2,821,100. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to 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 General Fund Expenditures
Unassigned fund balance	\$ 972,813	\$ 706,433	\$ 266,380	21.7%
Total fund balance	\$ 2,821,100	\$ 2,780,575	\$ 40,525	63.0%

The total fund balance of the general fund changed by \$40,525 during the current year. Key factors in this change are as follows:

Use of fund balance as a funding source	\$ (210,624)
Revenues and other financing sources	326,045
Expenditures and other financing uses	78,957
Expenditures of prior year encumbrances over current year encumbrances	(204,431)
Change in capital reserve	55,432
Accrued payroll	<u>(4,854)</u>
Total	<u>\$ 40,525</u>

Included in the total general fund balance are the Town's capital reserve accounts with the following balances:

	<u>12/31/19</u>	<u>12/31/18</u>	<u>Change</u>
General capital reserves	\$ 1,762,555	\$ 1,707,123	\$ 55,432

#### *Other Major Fund*

The *grants fund* is used to account for activities related to various projects funded in whole or in part by federal, state, and/or local grants.

#### *Non-Major Governmental Funds*

The non-major fund balance changed by \$105,689, primarily from timing differences between the receipt and disbursement of grants and permanent financing of capital projects.

#### ***Proprietary funds***

Proprietary funds provide the same type of information found in the business-type activities reported in the government-wide financial statements, but in more detail.

Unrestricted net position of the enterprise funds at the end of the year amounted to \$(196,447), a change of \$(84,385) in comparison to the prior year.

Other factors concerning the finances of proprietary funds have already been addressed in the entity-wide discussion of business-type activities.

### **General Fund Budgetary Highlights**

There was no difference between the original budget and the final amended budget.

### **Capital Asset and Debt Administration**

#### ***Capital assets***

Total investment in capital assets for governmental and business-type activities at year-end amounted to \$45,178,101 (net of accumulated depreciation). This investment in capital assets includes land, buildings and system, improvements, and machinery and equipment.

Major capital asset events during the current year included the following:

CIP Additions:

Governmental:

Spring Road Culvert	\$ 66,742
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Fixed Asset Additions:

Governmental:

Spring Road Culvert CIP Conversion	\$ 545,761
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2019 Ford F250 Pick up	\$ 32,602
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2020 Ford Explorer Interceptor	\$ 31,074
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2014 Ford F150	\$ 16,125
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Business-Type:

2019 Case 590SN Loader Backhoe	\$ 96,100
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Fixed Asset Disposals:

Business-Type:

1987 Case Loader Backhoe	\$ 64,500
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Additional information on capital assets can be found in the Notes to the Financial Statements.

***Long-term debt***

At the end of the current year, the Town had no bonded debt outstanding.

Additional information on long-term debt can be found in the Notes to the Financial Statements.

**Requests for Information**

This financial report is designed to provide a general overview of the Town of Gorham, New Hampshire'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:

Office of Town Manager  
Town of Gorham  
20 Park Street  
Gorham, New Hampshire 03581

**TOWN OF GORHAM, NEW HAMPSHIRE**

Statement of Net Position  
December 31, 2019

	Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
<b>Assets</b>			
Current:			
Cash and short-term investments	\$ 2,491,241	\$ -	\$ 2,491,241
Restricted cash	2,215,145	416,099	2,631,244
Receivables, net of allowance for uncollectibles:			
Property taxes	765,006	-	765,006
User fees	40,371	28,947	69,318
Departmental and other	131,622	-	131,622
Intergovernmental	152,224	-	152,224
Internal balances	45,549	(45,549)	-
Other assets	<u>17,454</u>	<u>27,191</u>	<u>44,645</u>
Total Current Assets	5,858,612	426,688	6,285,300
Noncurrent:			
Receivables, net of allowance for uncollectibles:			
Property taxes	358,990	-	358,990
Capital assets:			
Land and construction in progress	3,191,941	851,800	4,043,741
Other capital assets, net of accumulated depreciation	<u>20,124,820</u>	<u>21,009,540</u>	<u>41,134,360</u>
Total Noncurrent Assets	<u>23,675,751</u>	<u>21,861,340</u>	<u>45,537,091</u>
Total Assets	29,534,363	22,288,028	51,822,391
<b>Deferred Outflows of Resources</b>			
Related to pensions	256,254	38,715	294,969
Related to OPEB	<u>8,644</u>	<u>1,305</u>	<u>9,949</u>
Total Deferred Outflows of Resources	264,898	40,020	304,918
<b>Liabilities</b>			
Current:			
Accounts payable	294,831	-	294,831
Accrued liabilities	37,867	29,900	67,767
Due to school district	1,280,688	-	1,280,688
Tax refunds payable	715,678	-	715,678
Due to other governments	4,800	-	4,800
Current portion of long-term liabilities:			
Loans payable	12,597	-	12,597
Capital leases	37,500	-	37,500
Compensated absences	<u>1,676</u>	<u>2,291</u>	<u>3,967</u>
Total Current Liabilities	2,385,637	32,191	2,417,828
Noncurrent:			
Loans payable, net of current portion	11,816	-	11,816
Capital leases, net of current portion	52,836	-	52,836
Compensated absences, net of current portion	15,086	20,623	35,709
Net pension liability	2,663,413	402,400	3,065,813
Net OPEB liability	<u>588,653</u>	<u>87,156</u>	<u>675,809</u>
Total Noncurrent Liabilities	<u>3,331,804</u>	<u>510,179</u>	<u>3,841,983</u>
Total Liabilities	5,717,441	542,370	6,259,811
<b>Deferred Inflows of Resources</b>			
Related to pensions	339,882	51,351	391,233
Related to OPEB	<u>2,509</u>	<u>379</u>	<u>2,888</u>
Total Deferred Inflows of Resources	342,391	51,730	394,121
<b>Net Position</b>			
Net investment in capital assets	23,258,023	21,930,395	45,188,418
Restricted for:			
Grants and other statutory restrictions	265,824	-	265,824
Permanent funds:			
Nonexpendable	240,568	-	240,568
Expendable	71,567	-	71,567
Unrestricted	<u>(96,553)</u>	<u>(196,447)</u>	<u>(293,000)</u>
Total Net Position	\$ <u>23,739,429</u>	\$ <u>21,733,948</u>	\$ <u>45,473,377</u>

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

**TOWN OF GORHAM, NEW HAMPSHIRE**

Statement of Activities  
For the Year Ended December 31, 2019

		Program Revenues			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
	<u>Expenses</u>						
<b>Governmental Activities</b>							
General government	\$ 1,319,542	\$ 76,655	\$ -	\$ -	\$ (1,242,887)	\$ -	\$ (1,242,887)
Public safety	1,391,602	358,568	-	-	(1,033,034)	-	(1,033,034)
Highways and streets	1,573,675	40,933	170,639	-	(1,362,103)	-	(1,362,103)
Sanitation	409,284	51,322	-	-	(357,962)	-	(357,962)
Health and human services	67,356	-	361	-	(66,995)	-	(66,995)
Welfare	5,253	-	-	-	(5,253)	-	(5,253)
Culture and recreation	512,515	121,050	-	-	(391,465)	-	(391,465)
Conservation	-	-	3,613	-	3,613	-	3,613
Interest on long-term debt	14,619	-	-	-	(14,619)	-	(14,619)
Total Governmental Activities	5,293,846	648,528	174,613	-	(4,470,705)	-	(4,470,705)
<b>Business-Type Activities</b>							
Water services	490,078	453,755	-	-	-	(36,323)	(36,323)
Sewer services	471,997	435,298	-	-	-	(36,699)	(36,699)
Total Business-Type Activities	962,075	889,053	-	-	-	(73,022)	(73,022)
Total	\$ 6,255,921	\$ 1,537,581	\$ 174,613	\$ -	(4,470,705)	(73,022)	(4,543,727)
<b>General Revenues</b>							
Property taxes					3,060,207	-	3,060,207
Motor vehicle permits					667,889	-	667,889
Penalties, interest and other taxes					203,860	-	203,860
Grants and contributions not restricted to specific programs					214,753	-	214,753
Investment income					31,161	440	31,601
Miscellaneous					10,998	-	10,998
Transfers, net					-	-	-
Total general revenues					4,188,868	440	4,189,308
Change in Net Position					(281,837)	(72,582)	(354,419)
<b>Net Position</b>							
Beginning of year					24,021,266	21,806,530	45,827,796
End of year					\$ 23,739,429	\$ 21,733,948	\$ 45,473,377

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

**TOWN OF GORHAM, NEW HAMPSHIRE**

Governmental Funds  
Balance Sheet  
December 31, 2019

	General Fund	Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>Assets</b>				
Cash and short-term investments	\$ 2,484,242	\$ -	\$ 6,999	\$ 2,491,241
Restricted cash	1,903,010	-	312,135	2,215,145
Receivables:				-
Property taxes	1,222,616	-	-	1,222,616
User fees	80,742	-	-	80,742
Departmental and other	130,789	-	833	131,622
Intergovernmental	-	152,224	-	152,224
Due from other funds	<u>370,508</u>	<u>-</u>	<u>258,825</u>	<u>629,333</u>
Total Assets	\$ <u>6,191,907</u>	\$ <u>152,224</u>	\$ <u>578,792</u>	\$ <u>6,922,923</u>
<b>Liabilities</b>				
Accounts payable	\$ 294,831	\$ -	\$ -	\$ 294,831
Accrued liabilities	35,649	-	-	35,649
Tax refunds payable	715,678	-	-	715,678
Due to other governments	-	4,800	-	4,800
Due to other funds	-	582,951	833	583,784
Due to school district	<u>1,280,688</u>	<u>-</u>	<u>-</u>	<u>1,280,688</u>
Total Liabilities	2,327,896	587,751	833	2,916,480
<b>Deferred Inflows of Resources</b>				
Unavailable revenues	1,042,911	-	-	1,042,911
<b>Fund Balances</b>				
Nonspendable	-	-	240,568	240,568
Restricted	-	3,386	276,710	280,096
Committed	1,762,555	-	60,681	1,823,236
Assigned	85,732	-	-	85,732
Unassigned	<u>972,813</u>	<u>(438,913)</u>	<u>-</u>	<u>533,900</u>
Total Fund Balances	<u>2,821,100</u>	<u>(435,527)</u>	<u>577,959</u>	<u>2,963,532</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	\$ <u>6,191,907</u>	\$ <u>152,224</u>	\$ <u>578,792</u>	\$ <u>6,922,923</u>

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



**TOWN OF GORHAM, NEW HAMPSHIRE**

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

<b>Total governmental fund balances</b>	\$ 2,963,532
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	23,316,761
Revenues are reported on the accrual basis of accounting and are not deferred until collection.	903,920
Long-term liabilities, including bonds payable, net pension liability, and net OPEB liability are not due and payable in the current period and, therefore, are not reported in the governmental funds.	
Loans payable	(24,413)
Pension liability, net of related deferred outflows and inflows of resources	(2,747,041)
OPEB liability, net of related deferred outflows and inflows of resources	(582,518)
Capital leases	(90,336)
Compensated absences	(16,762)
Other	<u>16,286</u>
<b>Net position of governmental activities</b>	<b>\$ <u><u>23,739,429</u></u></b>

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

**TOWN OF GORHAM, NEW HAMPSHIRE**

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

	<u>General Fund</u>	<u>Grants Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>				
Property taxes	\$ 3,345,162	\$ -	\$ -	\$ 3,345,162
Penalties, interest and other taxes	203,860	-	-	203,860
Charges for services	412,865	-	170,312	583,177
Intergovernmental	214,753	170,204	-	384,957
Licenses and permits	733,240	-	-	733,240
Investment income	29,065	-	2,096	31,161
Miscellaneous	<u>10,998</u>	<u>-</u>	<u>4,409</u>	<u>15,407</u>
Total Revenues	4,949,943	170,204	176,817	5,296,964
<b>Expenditures</b>				
General government	1,305,076	-	-	1,305,076
Public safety	1,502,572	2,213	7,941	1,512,726
Highways and streets	973,887	627,153	-	1,601,040
Sanitation	366,779	-	16,043	382,822
Health and human services	67,356	-	-	67,356
Welfare	5,253	-	-	5,253
Culture and recreation	179,726	-	305,729	485,455
Debt service:				
Principal	48,145	-	-	48,145
Interest	5,226	-	-	5,226
Capital outlay	<u>26,125</u>	<u>-</u>	<u>-</u>	<u>26,125</u>
Total Expenditures	<u>4,480,145</u>	<u>629,366</u>	<u>329,713</u>	<u>5,439,224</u>
Excess (deficiency) of revenues over expenditures	469,798	(459,162)	(152,896)	(142,260)
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	170,688	258,585	429,273
Transfers out	<u>(429,273)</u>	<u>-</u>	<u>-</u>	<u>(429,273)</u>
Total Other Financing Sources (Uses)	<u>(429,273)</u>	<u>170,688</u>	<u>258,585</u>	<u>-</u>
Change in fund balance	40,525	(288,474)	105,689	(142,260)
Fund Balance, at Beginning of Year	<u>2,780,575</u>	<u>(147,053)</u>	<u>472,270</u>	<u>3,105,792</u>
Fund Balance, at End of Year	\$ <u><u>2,821,100</u></u>	\$ <u><u>(435,527)</u></u>	\$ <u><u>577,959</u></u>	\$ <u><u>2,963,532</u></u>

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

## TOWN OF GORHAM, 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, 2019

<b>Net changes in fund balances - total governmental funds</b>	\$ (142,260)
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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, net of disposals	142,443
Depreciation	(243,287)

The issuance of long-term debt (e.g., bonds) 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 direct loans	12,286
Repayments of capital leases	36,306

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, etc.) differ between the two statements. This amount represents the net change in deferred revenue. (206,660)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

Change in pension expense from GASB 68	(6,609)
Change in OPEB expense from GASB 75	134,220
Other	<u>(8,276)</u>

<b>Change in net position of governmental activities</b>	<b>\$ <u>(281,837)</u></b>
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The accompanying notes are an integral part of these financial statements.

**TOWN OF GORHAM, NEW HAMPSHIRE**

Proprietary Funds  
Statement of Net Position  
December 31, 2019

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
<b>Assets</b>			
Current:			
Restricted cash	\$ 211,051	\$ 205,048	\$ 416,099
User fees, net of allowance for uncollectibles	21,014	7,933	28,947
Other assets	27,191	-	27,191
Total current assets	259,256	212,981	472,237
Noncurrent:			
Capital assets:			
Land and construction in progress	576,020	275,780	851,800
Other capital assets, net of accumulated depreciation	12,234,918	8,774,622	21,009,540
Total noncurrent assets	12,810,938	9,050,402	21,861,340
Total Assets	13,070,194	9,263,383	22,333,577
<b>Deferred Outflows of Resources</b>			
Related to pensions	20,793	17,922	38,715
Related to OPEB	700	605	1,305
Total Deferred Outflows of Resources	21,493	18,527	40,020
<b>Liabilities</b>			
Current:			
Accrued liabilities	22,036	7,864	29,900
Due to other funds	28,792	16,757	45,549
Current portion of long-term liabilities:			
Compensated absences	1,662	629	2,291
Total current liabilities	52,490	25,250	77,740
Noncurrent:			
Net pension liability	216,113	186,287	402,400
Net OPEB liability	48,866	38,290	87,156
Compensated absences	14,965	5,658	20,623
Total noncurrent liabilities	279,944	230,235	510,179
Total Liabilities	332,434	255,485	587,919
<b>Deferred Inflows of Resources</b>			
Related to pensions	27,579	23,772	51,351
Related to OPEB	203	176	379
Total Deferred Inflows of Resources	27,782	23,948	51,730
<b>Net Position</b>			
Net investment in capital assets	12,879,993	9,050,402	21,930,395
Unrestricted	(148,522)	(47,925)	(196,447)
Total Net Position	\$ 12,731,471	\$ 9,002,477	\$ 21,733,948

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

**TOWN OF GORHAM, NEW HAMPSHIRE**

Proprietary Funds  
Statement of Revenues, Expenses and Changes in Fund Net Position  
For the Year Ended December 31, 2019

	Business-Type Activities Enterprise Funds		
	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Total</u>
Operating Revenues			
Charges for services	\$ 453,755	\$ 435,298	\$ 889,053
Total Operating Revenues	453,755	435,298	889,053
Operating Expenses			
Salaries and benefits	325,650	185,568	511,218
Other operating expenses	134,015	260,244	394,259
Depreciation	28,981	26,185	55,166
Total Operating Expenses	488,646	471,997	960,643
Operating Income (Loss)	(34,891)	(36,699)	(71,590)
Nonoperating Revenues (Expenses)			
Investment income	164	276	440
Interest expense	(1,432)	-	(1,432)
Total Nonoperating Revenues (Expenses), Net	(1,268)	276	(992)
Income (Loss) Before Transfers	(36,159)	(36,423)	(72,582)
Transfers			
Transfers in	-	-	-
Transfers out	-	-	-
Change in Net Position	(36,159)	(36,423)	(72,582)
Net Position at Beginning of Year	12,767,630	9,038,900	21,806,530
Net Position at End of Year	\$ 12,731,471	\$ 9,002,477	\$ 21,733,948

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

**TOWN OF GORHAM, NEW HAMPSHIRE**

Proprietary Funds  
Statement of Cash Flows  
For the Year Ended December 31, 2019

	Business-Type Activities Enterprise Funds		
	Water Fund	Sewer Fund	Total
Cash Flows From Operating Activities			
Receipts from customers and users	\$ 417,794	\$ 439,191	\$ 856,985
Payments to employees	(325,650)	(185,568)	(511,218)
Payments to vendors	(120,825)	(251,609)	(372,434)
Net Cash Provided By (Used For) Operating Activities	(28,681)	2,014	(26,667)
Cash Flows From Noncapital Financing Activities			
Intergovernmental receipt	115,882	40,779	156,661
Net Cash Provided By (Used For) Noncapital Financing Activities	115,882	40,779	156,661
Cash Flows From Capital and Related Financing Activities			
Acquisition and construction of capital assets	(57,660)	(38,440)	(96,100)
Principal payments on bonds	(73,964)	-	(73,964)
Principal payments on notes	-	-	-
Interest expense	(1,557)	-	(1,557)
Other Non-operating income	-	-	-
Net Cash Provided By (Used For) Capital and Related Financing Activities	(133,181)	(38,440)	(171,621)
Cash Flows From Investing Activities			
Investment income	289	276	565
Investment purchases (sales)	45,691	(4,629)	41,062
Net Cash Provided By (Used For) Investing Activities	45,980	(4,353)	41,627
Net Change in Cash and Short-Term Investments	-	-	-
Cash and Short-Term Investments, Beginning of Year	-	-	-
Cash and Short-Term Investments, End of Year	\$ -	\$ -	\$ -
Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used For) Operating Activities			
Operating income (loss)	\$ (34,891)	\$ (36,699)	\$ (71,590)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:			
Depreciation	28,981	26,185	55,166
Changes in assets, liabilities, and deferred outflows/inflows:			
User fees	(35,961)	3,893	(32,068)
Other assets	26,916	427	27,343
Deferred outflows - related to pensions	13,120	8,341	21,461
Deferred outflows - related to OPEB	1,286	934	2,220
Accrued liabilities	-	743	743
Net pension liability	(22,894)	1,198	(21,696)
Net OPEB liability	(12,724)	(9,406)	(22,130)
Deferred inflows - related to pensions	4,587	5,967	10,554
Deferred inflows - related to OPEB	147	132	279
Other liabilities	2,752	299	3,051
Net Cash Provided By (Used For) Operating Activities	\$ (28,681)	\$ 2,014	\$ (26,667)

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

## Town of Gorham, New Hampshire

### Notes to Financial Statements

#### 1. Summary of Significant Accounting Policies

The accounting policies of the Town of Gorham, New Hampshire (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 the year 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 and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

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 proprietary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise 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 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, compensated absences, OPEB, and pension 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 *grants fund* is used to account for activities related to various projects funded in whole or in part by federal, state, and/or local grants.

The proprietary 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and



delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The Town reports the following major proprietary funds:

- The water fund accounts for water services provided to the Town's residents
- The sewer fund accounts for sewerage treatment services provided to the Town's residents.

### ***Cash and 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 special revenue and proprietary funds segregate cash, and investment earnings become a part of those funds.

Deposits with financial institutions consist primarily of demand deposits and savings accounts. Generally, a cash and investment pool is maintained that is available for use by all funds. Each fund's portion of this pool is reflected on the combined financial statements under the caption "cash and short-term investments".

For purpose of the statement of cash flows, the proprietary funds consider investments with original maturities of three months or less to be cash equivalents.

Investments, generally, are presented at fair value. Where applicable, fair values are based on quotations from national securities exchanges, except for certain investments that are required to be presented using the net asset value (NAV). The NAV per share is the amount of net assets attributable to each share of capital stock outstanding at the close of the period, investments measured at the NAV for fair value are not subject to level classification.

The Town invests in the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool managed by the State Banking Commission. The portfolio meets the requirements of GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, and investments are valued at amortized cost.

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.

***Interfund Receivables and Payables***

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either “due from/to other funds” (i.e., the current portion of interfund loans) or “advances to/from other funds” (i.e., the non-current portion of interfund loans).

***Inventories***

Inventories are valued at cost using the first-in/first-out (FIFO) method. The costs of governmental fund-type inventories are recorded as expenditures when purchased rather than when consumed. No significant inventory balances were on hand in governmental funds.

***Capital Assets***

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type 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.

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	30 - 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 and proprietary fund 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, and proprietary fund types in the fund financial statements, long-term debt, and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type 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, consists 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 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 Selectmen's Office with the cooperation of the various department heads. It is then submitted to the Budget Committee, in accordance with the Municipal Budget Law. After reviewing the budget, the Committee holds a public hearing for discussion.

The final version of the budget is then submitted for approval at the annual Town Meeting. 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 (i.e. legal level of control); however, they have the power to reclassify its components when necessary.

### ***Deficit Fund Equity***

The grant fund reflected deficit balances as of December 31, 2019.

It is anticipated that the deficit in this fund will be eliminated through future grant revenues.

## **3. Deposits**

State statute RSA 48:16 place certain limitation on the nature of deposits and investments available to the Town. Deposits may be made in the New Hampshire Deposit Investment Pool (NHPDIP), in NH Banks or banks outside the State if such banks pledge and deliver to a third-party custodial bank with various collateralized security, in accordance with RSA 383:22. NHDIP is under the control of the New Hampshire Banking Commission and Advisory Committee. Participation units of the NHDIP are considered short-term for financial presentation purposes due to high liquidity of the fund and is carried at amortized cost in accordance with GASB Statement 79.

### ***Custodial Credit Risk***

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 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 formal deposit policies related to the custodial credit risk of deposits.

As of December 31, 2019, \$2,856,547 of the Town's bank balance of \$5,114,852 was exposed to custodial credit risk as uninsured and/or uncollateralized. The amount consists of cash and cash equivalents invested in U.S. Treasury and agencies, held by the Town's Trustees of Trust Fund.

#### 4. Restricted Cash

Restricted cash represents capital reserve funds held by the Trustees of the Trust Funds as of December 31, 2019.

#### 5. Property Taxes Receivable

The Town bills property taxes semi-annually, in May and November. Property tax revenues are recognized in the year for which taxes have been levied. 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 lienied 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 reported in the government-wide financial statements are net of an allowance for doubtful accounts of \$98,620.

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

	Gross Amount <u>(fund basis)</u>	Allowance for Doubtful <u>Accounts</u>	Current <u>Portion</u>	Long- Term <u>Portion</u>
Real estate taxes	\$ 765,006	\$ -	\$ 765,006	\$ -
Tax liens	<u>457,610</u>	<u>98,620</u>	<u>-</u>	<u>358,990</u>
Total property taxes	<u>\$ 1,222,616</u>	<u>\$ 98,620</u>	<u>\$ 765,006</u>	<u>\$ 358,990</u>

#### ***Taxes Collected for Others***

The Town collects taxes for the State of New Hampshire, the Gorham Randolph Shelburne Cooperative School District, and the County of Coos. Payments to the other taxing units are normally made throughout the year. The ultimate responsibility for the collection of taxes rests with the Town.

## 6. User Fee Receivables

Receivables for user charges and betterments at December 31, 2019 consist of the following:

	<u>Gross Amount</u>	<u>Allowance for Doubtful Accounts</u>	<u>Net Amount</u>
Water	\$ 22,297	\$ (1,283)	\$ 21,014
Sewer	9,248	(1,315)	7,933
Ambulance	<u>80,742</u>	<u>(40,371)</u>	<u>40,371</u>
Total	<u>\$ 112,287</u>	<u>\$ (42,969)</u>	<u>\$ 69,318</u>

## 7. Intergovernmental Receivables

This balance represents reimbursements requested from Federal and State agencies for expenditures incurred in the year 2019.

## 8. Interfund Accounts

### ***Receivables/Payables***

Although self-balancing funds are maintained, most transactions flow through the general fund. In order to obtain accountability for each fund, interfund receivable and payable accounts must be utilized. The following is an analysis of interfund receivable and payable accounts:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
General Fund	\$ 370,508	\$ -
Grants Fund	-	582,951
Nonmajor Funds:		
Special Revenue Funds:		
DARE	1,394	-
Drug Forfeiture	2,369	-
Forestry	49,369	-
Library	31,378	-
MV Reclamation	6,202	-
Recreation	107,432	-
Capital Project Funds:		
Transportation	60,681	-
Multi-Modal Rte	<u>-</u>	<u>833</u>
Subtotal Nonmajor Funds	258,825	833
Enterprise Funds:		
Water	-	28,792
Sewer	<u>-</u>	<u>16,757</u>
Total	<u>\$ 629,333</u>	<u>\$ 629,333</u>

### ***Transfers***

The Town reports interfund transfers between various funds. Most transfers result from budgetary or statutory actions, whereby funds are moved to accomplish various expenditure purposes. The following is an analysis of major interfund transfers.

<u>Governmental Funds:</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ 429,273
Grants Fund	170,688	-
Nonmajor Funds:		
Special Revenue Funds:		
Library	202,896	-
Permanent Trust Funds:	<u>55,689</u>	<u>-</u>
Subtotal Nonmajor Funds	<u>258,585</u>	<u>-</u>
Grand Total	\$ <u>429,273</u>	\$ <u>429,273</u>

The Town's other routine transfers include transfers made to move (1) unrestricted revenues or balances that have been collected or accumulated in the general fund to other funds based on budgetary authorization, and (2) revenues from a fund that by statute or budgetary authority must collect them to funds that are required by statute or budgetary authority to expend them.

## 9. Capital Assets

Capital asset activity for the year ended December 31, 2019 was as follows:

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 6,157,821	\$ -	\$ (1,164)	\$ 6,156,657
Machinery, equipment, and furnishings	674,567	-	(163,838)	510,729
Vehicles	2,470,881	79,801	(96,989)	2,453,693
Infrastructure	<u>20,371,110</u>	<u>545,761</u>	<u>-</u>	<u>20,916,871</u>
Total capital assets, being depreciated	29,674,379	625,562	(261,991)	30,037,950
Less accumulated depreciation for:				
Buildings and improvements	(2,495,083)	(50,328)	1,164	(2,544,247)
Machinery, equipment, and furnishings	(520,112)	(28,803)	96,989	(451,926)
Vehicles	(1,748,281)	(146,780)	159,738	(1,735,323)
Infrastructure	<u>(5,164,258)</u>	<u>(17,376)</u>	<u>-</u>	<u>(5,181,634)</u>
Total accumulated depreciation	<u>(9,927,734)</u>	<u>(243,287)</u>	<u>257,891</u>	<u>(9,913,130)</u>
Total capital assets, being depreciated, net	19,746,645	382,275	(4,100)	20,124,820
Capital assets, not being depreciated:				
Land	1,951,276	-	-	1,951,276
Construction in progress	<u>1,719,684</u>	<u>66,742</u>	<u>(545,761)</u>	<u>1,240,665</u>
Total capital assets, not being depreciated	<u>3,670,960</u>	<u>66,742</u>	<u>(545,761)</u>	<u>3,191,941</u>
Governmental activities capital assets, net	<u>\$ 23,417,605</u>	<u>\$ 449,017</u>	<u>\$ (549,861)</u>	<u>\$ 23,316,761</u>
<b>Business-Type Activities</b>				
Capital assets, being depreciated:				
Buildings and improvements	\$ 2,738,200	\$ -	\$ -	\$ 2,738,200
Machinery, equipment, and furnishings	413,682	96,100	(64,500)	445,282
Vehicles	338,130	-	(54,442)	283,688
Infrastructure	<u>28,911,312</u>	<u>-</u>	<u>-</u>	<u>28,911,312</u>
Total capital assets, being depreciated	32,401,324	96,100	(118,942)	32,378,482
Less accumulated depreciation for:				
Buildings and improvements	(2,720,700)	(501)	-	(2,721,201)
Machinery, equipment, and furnishings	(345,949)	(10,062)	64,500	(291,511)
Vehicles	(278,716)	(9,170)	21,777	(266,109)
Infrastructure	<u>(8,087,353)</u>	<u>(35,433)</u>	<u>32,665</u>	<u>(8,090,121)</u>
Total accumulated depreciation	<u>(11,432,718)</u>	<u>(55,166)</u>	<u>118,942</u>	<u>(11,368,942)</u>
Total capital assets, being depreciated, net	20,968,606	40,934	-	21,009,540
Capital assets, not being depreciated:				
Land	<u>851,800</u>	<u>-</u>	<u>-</u>	<u>851,800</u>
Total capital assets, not being depreciated	<u>851,800</u>	<u>-</u>	<u>-</u>	<u>851,800</u>
Business-type activities capital assets, net	<u>\$ 21,820,406</u>	<u>\$ 40,934</u>	<u>\$ -</u>	<u>\$ 21,861,340</u>



Depreciation expense was charged to functions of the Town as follows:

Governmental Activities	
General government	\$ 47,154
Public safety	72,785
Highways and streets	80,347
Sanitation	26,027
Culture and recreation	<u>16,974</u>
Total governmental activities	<u>\$ 243,287</u>
Business-Type Activities	
Water	\$ 28,981
Sewer	<u>26,185</u>
Total business-type activities	<u>\$ 55,166</u>

**10. Deferred Outflows of Resources**

Deferred outflows of resources represent the consumption of net position by the Town that is applicable to future reporting periods. Deferred outflows of resources have a positive effect on net position, similar to assets. Deferred outflows of resources related to pensions and OPEB, in accordance with GASB Statements No. 68 and 75, are more fully discussed in the corresponding pension and OPEB notes.

**11. Accrued Liabilities**

Accrued liabilities represent 2019 expenditures paid in 2020.

**12. Tax Refunds Payable**

This balance consists of an estimate of refunds due to property taxpayers for potential abatements. These cases are currently pending with the state Board of Tax and Land Appeals.

### 13. Capital Lease Obligations

The Town is the lessee of certain equipment under capital and operating leases expiring in various years through 2022. Future minimum lease payments under the capital and operating leases consisted of the following as of December 31, 2019:

<u>Fiscal</u> <u>Year</u>	<u>Capital</u> <u>Leases</u>
2020	\$ 40,749
2021	27,939
2022	<u>27,940</u>
Total payments	96,628
Less amounts representing interest	<u>6,292</u>
Present Value of Minimum Lease Payments	<u><u>\$ 90,336</u></u>

Leased assets included in capital assets as of December 31, 2019 include highway equipment consisting of a Caterpillar backhoe and a John Deere loader.

### 14. Long-Term Debt

#### *Long-Term Debt*

The Town issues general obligation bonds (including direct placements) and direct borrowings to provide funds for the acquisition and construction of major capital facilities. General obligation bonds have been issued for both governmental and business-type activities. General obligation bonds were paid in full during the current year. Direct borrowings currently outstanding are as follows:

<u>Governmental Activities</u>	<u>Original</u> <u>Issue</u>	<u>Serial</u> <u>Maturities</u> <u>Through</u>	<u>Interest</u> <u>Rate(s) %</u>	<u>Amount</u> <u>Outstanding</u> <u>as of</u> <u>12/31/19</u>
<u>Loans - Direct Borrowings</u>				
CFDA Loan for Street Lights	\$ 40,000	11/30/21	2.50%	\$ <u>24,413</u>
Total governmental activities				\$ <u><u>24,413</u></u>

### ***Future Debt Service***

The annual payments to retire long-term debt outstanding as of December 31, 2019 are as follows:

<u>Governmental</u>	<u>Loans - Direct Borrowing</u>	
	<u>Principal</u>	<u>Interest</u>
2020	\$ 12,597	\$ 468
2021	<u>11,816</u>	<u>149</u>
Total	<u>\$ 24,413</u>	<u>\$ 617</u>

The general fund has been designated as the sole source to repay the governmental-type general obligation long-term debt outstanding as of December 31, 2019.

### ***Changes in General Long-Term Liabilities***

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Less Current Portion</u>	<u>Equals Long-Term Portion</u>
<b>Governmental Activities</b>						
Loans payable (direct borrowing)	\$ 36,751	\$ -	\$ (12,338)	\$ 24,413	\$ (12,597)	\$ 11,816
Capital leases	126,642	-	(36,306)	90,336	(37,500)	52,836
Compensated absences	15,964	798	-	16,762	(1,676)	15,086
Net pension liability	2,871,647	-	(208,234)	2,663,413	-	2,663,413
Net OPEB liability	<u>739,925</u>	<u>-</u>	<u>(151,272)</u>	<u>588,653</u>	<u>-</u>	<u>588,653</u>
Total	<u>\$ 3,790,929</u>	<u>\$ 798</u>	<u>\$ (408,150)</u>	<u>\$ 3,383,577</u>	<u>\$ (51,773)</u>	<u>\$ 3,331,804</u>
<b>Business-Type Activities</b>						
Bonds payable:						
Direct placement	\$ 73,964	\$ -	\$ (73,964)	\$ -	\$ -	\$ -
Compensated absences	21,824	1,090	-	22,914	(2,291)	20,623
Net pension liability	424,096	-	(21,696)	402,400	-	402,400
Net OPEB liability	<u>109,286</u>	<u>-</u>	<u>(22,130)</u>	<u>87,156</u>	<u>-</u>	<u>87,156</u>
Totals	<u>\$ 629,170</u>	<u>\$ 1,090</u>	<u>\$ (117,790)</u>	<u>\$ 512,470</u>	<u>\$ (2,291)</u>	<u>\$ 510,179</u>

## **15. 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. Deferred inflows of resources related to pension and OPEB will be recognized as expense in future years and is more fully described in the corresponding pension and OPEB notes. *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.

## 16. 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, special purpose, 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 and general stabilization fund and deficit funds.

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

	General Fund	Grants Fund	Nonmajor Governmental Funds	Total Governmental Funds
Nonspendable				
Nonexpendable permanent funds	\$ -	\$ -	\$ 240,568	\$ 240,568
Total Nonexpendable	-	-	240,568	240,568
Restricted				
Special revenue funds	-	3,386	205,143	208,529
Expendable permanent funds	-	-	71,567	71,567
Total Restricted	-	3,386	276,710	280,096
Committed				
Capital reserve funds	1,762,555	-	-	1,762,555
Capital project funds	-	-	60,681	60,681
Total Committed	1,762,555	-	60,681	1,823,236
Assigned				
Encumbrances:				
General government	45,732	-	-	45,732
Capital outlay - Tinker Brook parcel	40,000	-	-	40,000
Total Assigned	85,732	-	-	85,732
Unassigned				
General fund	972,813	-	-	972,813
Deficit balances	-	(438,913)	-	(438,913)
Total Unassigned	972,813	(438,913)	-	533,900
Total Fund Balance	\$ 2,821,100	\$ (435,527)	\$ 577,959	\$ 2,963,532

## 17. General Fund Unassigned Fund Balance

The unassigned general fund balance reported on the balance sheet is stated in accordance with generally accepted accounting principles (GAAP), which differs in respect to how undesignated fund balance is reported in accordance with the budgetary basis for reporting for the State of New Hampshire for tax rate setting purposes. The major difference is the State of New Hampshire considers revenues in connection with property tax receivables to be available to liquidate liabilities when billed rather than received.

The following summarizes the specific differences between GAAP basis and budgetary basis of reporting the general fund unassigned fund balance:

GAAP basis balance	\$ 972,813
Unavailable revenue	1,042,911
Allowance for abatements	(98,620)
Other	<u>(568,459)</u>
Statutory Balance	<u><u>\$ 1,348,645</u></u>

## 18. Retirement System

The Town follows the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, with respect to the State of New Hampshire Retirement System (NHRS).

### ***Plan Description***

Full-time employees participate in the New Hampshire Retirement System (NHRS), a cost-sharing, multiple-employer defined benefit contributory pension plan and trust established in 1967 by RSA 100-A:2 and qualified as a tax-exempt organization under Sections 401(a) and 501(a) of the Internal Revenue Code. The plan is a contributory, defined benefit plan providing service, disability, death, and vested retirement benefits to members and their beneficiaries. Substantially all full-time state employees, public school teachers and administrators, permanent firefighters, and permanent police officers within the State of New Hampshire are eligible and required to participate in the system. Full-time employees of political subdivisions, including counties, municipalities, and school districts, are also eligible to participate as a group if the Board of Selectmen of the political subdivision has elected participation.

The New Hampshire Retirement System, a Public Employees Retirement System (PERS), is divided into two membership groups. State or local employees and teachers belong to *Group I*. Police officers and firefighters belong to *Group II*. All assets are held in a single trust and are available to each group. Additional information is disclosed in the NHRS annual report publicly available from the New Hampshire Retirement System located at 54 Regional Drive, Concord, New Hampshire 03301-8507.

### ***Benefits Provided***

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

### ***Contributions***

Plan members are required to contribute a percentage of their Earnable Compensation to the pension plan, which the contribution rates are 7% for employees and teachers 11.55% for police and 11.80% for fire. The Town makes annual contributions to the pension plan equal to the amount required by Revised Statutes Annotated 100-A:16, and range from 10.88% to 26.43% of covered compensation. The Town's contribution to NHRS for the year ended December 31, 2019 was \$277,420, which was equal to its annual required contribution.

### ***Summary of Significant Accounting Policies***

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 NHRS and additions to/deductions from NHRS' fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with benefit terms. Investments are reported at fair value.

### ***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred (Inflows) of Resources Related to Pensions***

At December 31, 2019, the Town reported a liability of \$ 3,065,813 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2018. The Town's proportion of the net pension liability was based on a projection of the Town's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At the most recent measurement date of June 30, 2019, the Town's proportion was 0.06371639%, which was a decrease of 0.00472836% from its previous year proportion.

For the year ended December 31, 2019, the Town recognized pension expense of \$294,337. In addition, the Town reported deferred outflows of resources and deferred (inflows) of resources related to pensions from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Differences between expected and actual experience	\$ 16,951	\$ (65,924)
Changes of assumptions	110,000	-
Differences between projected and actual earnings on pension plan investments	-	(25,043)
Changes in proportion and differences between contributions and proportionate share of contributions	33,169	(300,266)
Contributions subsequent to the measurement date	<u>134,849</u>	<u>-</u>
Total	<u>\$ 294,969</u>	<u>\$ (391,233)</u>

The amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in 2020. Other amounts reported as deferred outflows of resources and deferred (inflows) of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

2020	\$ 21,738
2021	(141,747)
2022	(81,738)
2023	<u>(29,366)</u>
Total	<u>\$ (231,113)</u>

### ***Actuarial Assumptions***

The total pension liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Price inflation	2.50% per year
Wage inflation	3.25% per year (3.00% for Teachers)
Salary increases	5.60% average, including inflation
Investment rate of return	7.25%, net of plan investment expense, including inflation



Mortality rates were based on the RP-2014 employee generational mortality tables for males and females, adjusted for mortality improvements using scale MP-2015.

Certain actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, most recently performed in 2016.

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. The target allocation and best estimates of arithmetic real rates of return for each major class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation Percentage</u>	<u>Weighted Average Average Long- Term Expected Real Rate of Return</u>
Large Cap Equities	22.50 %	4.25%
Small/Mid Cap Equities	<u>7.50</u>	4.50%
Total domestic equities	30.00	
Int'l Equities (unhedged)	13.00	4.50%
Emerging Int'l Equities	<u>7.00</u>	6.00%
Total international equities	20.00	
Core Bonds	9.00	1.12%
Global Multi-Sector Fixed Income	10.00	2.46%
Absolute Return Fixed Income	<u>6.00</u>	1.50%
Total fixed income	25.00	
Private equity	10.00	7.90%
Private debt	<u>5.00</u>	4.86%
Total alternative investments	15.00	
Real estate	<u>10.00</u>	3.00%
Total	<u><u>100.00</u></u> %	

#### ***Discount Rate***

The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that the plan member contributions

will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer service cost contributions are projected based on the expected payroll of current members only. Employer contributions are determined based on the pension plan's actuarial funding policy and as required by RSA 100-A:16. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments to current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

***Sensitivity of the 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 7.25%, 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 one percentage-point lower or one percentage-point higher than the current rate:

1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
\$ 4,105,249	\$ 3,065,813	\$ 2,206,726

***Pension Plan Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued NHRS financial report.

**19. Other Post-Employment Benefits (GASB 75)**

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, replaces the requirements of *Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. The Statement establishes standards for recognizing and measuring liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. This Statement identifies the methods and assumptions that are required to be used to project benefit payments, discounted projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service.

***Town OPEB Plan***

All the following OPEB disclosures are based on a measurement date of December 31, 2019.

## *General Information about the OPEB Plan*

### Plan Description

The Town indirectly provides post-employment healthcare for retired employees through an implicit rate covered by current employees. Retirees of the Town who participate in this single-employer plan pay 100% of the healthcare premiums to participate in the Town's healthcare program. Since they are included in the same pool as active employees, the insurance rates are implicitly higher for current employees due to the age consideration. This increased rate is an implicit subsidy the Town pays for the retirees.

### Benefits Provided

The Town provides medical and prescription drug insurance to retirees and their covered dependents. All active employees who retire from the Town and meet the eligibility criteria will receive these benefits.

### Plan Membership

At December 31, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries	
currently receiving benefit payments	7
Active employees	<u>32</u>
Total	<u><u>39</u></u>

### Funding Policy

The Town's funding policy includes financing the implicit subsidy on a pay-as-you-go basis, as required by statute.

### Actuarial Assumptions and Other Inputs

The total OPEB liability was determined using the alternative method as of December 31, 2019, in accordance with the parameters of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Alternative measurement method valuations of an ongoing plan are allowed for a sole employer with fewer than one hundred total plan members and involve estimates of the value of reported amount and assumptions about the probability of occurrence of events far into the future, similar to broad measurement steps as would be used by an actuarial valuation for plans whose members exceed one hundred. Examples include assumptions about future employment, mortality, and the healthcare cost trend. The alternative measurement method used the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	5.6%, average, including inflation
Discount rate	2.71%
Healthcare cost trend rates	6.98% for 2019, 9.50% for 2020, fluctuating 0.5%, to an ultimate rate of 5.00% as of 2029 and later years
Retirees' share of benefit-related costs	100%
Participation rate	100% of current active employees under plan

The discount rate was based on the Fidelity General Obligation AA20 Year Bond at December 31, 2019.

Mortality rates were based on the mortality tables at the National Center for Health Statistics. The 2014 United States Life Tables for Males and Females were used.

The actuarial assumptions used in the December 31, 2019 valuation were based on the results of the most recent actuarial experience study.

#### Discount Rate

The discount rate used to measure the total OPEB liability was 2.71%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate.

#### Total OPEB Liability

The Town's total OPEB liability of \$460,811 was measured as of December 31, 2019, and was determined by the alternative method as of December 31, 2019.

#### Changes in the Total OPEB Liability

	Total OPEB Liability
Balances, beginning of year	\$ 603,308
Changes for the year:	
Service cost	30,874
Interest	12,488
Changes in assumptions or other inputs	(148,181)
Benefit payments	(37,678)
Net Changes	(142,497)
Balances, end of year	\$ 460,811

Changes of assumptions and other inputs reflect a change in the discount rate from 3.71% in 2018 to 2.71% in 2019. All other assumptions were the same as those used in the previous measurement.

#### Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease (1.71%)	Current Discount Rate (2.71%)	1% Increase (3.71%)
\$ 557,800	\$ 460,811	\$ 385,561

#### Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability, as well as what the total OPEB liability would be if it were calculated using healthcare cost trend rates that are one percentage-point lower or one percentage-point higher than the current healthcare cost trend rates:

1% Decrease (5.98%)	Current Healthcare Cost Trend Rates (6.98%)	1% Increase (7.98%)
\$ 443,236	\$ 460,811	\$ 479,967

#### OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2019, the Town recognized an OPEB expense of \$(66,778). At December 31, 2019, the Town did not have any deferred outflows or inflows of resources related to OPEB.

#### ***New Hampshire Retirement System Medical Subsidy Plan Description***

##### *General Information about the OPEB Plan*

##### Plan Description

In addition to the OPEB plan discussed above, the Town participates in the New Hampshire Retirement System (NHRS) Medical Subsidy. The NHRS administers a cost-sharing, multiple-employer other post-employment benefit plan (OPEB Plan) for retiree health insurance subsidies. Benefit amounts and eligibility requirements are set by state law, and members are designated by type. The four membership types are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees and Group I State Employees. Collectively, they are referred to as the OPEB Plan.

NHRS issues publicly available financial reports that can be obtained by writing to them at 54 Regional Drive, Concord, NH 03301-8507 or from their website at <http://www.nhrs.org>.

### Benefits Provided

The OPEB Plan provides a medical insurance subsidy to qualified retired members. The medical subsidy is a payment made by NHRS to the former employer or their insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certifiably dependent children with a disability who are living in the household and being cared for by the retiree. Under specific conditions, the qualified beneficiaries of members who die while in service may also be eligible for the medical subsidy. The eligibility requirements for receiving OPEB Plan benefits differ for Group I and Group II members. The monthly Medical Subsidy rates are:

1 Person - \$375.56
2 Person - \$751.12
1 Person Medicare Supplement - \$236.84
2 person Medicare Supplement - \$473.68

### Contributions

Pursuant to RSA 100-A:16, III, and the biennial actuarial valuation, funding for the medical subsidy payment is via the employer contribution rates set forth by NHRS. Employer contributions required to cover that amount of cost not met by the members' contributions are determined by a biennial actuarial valuation by the NHRS actuary using the entry age normal funding method and are expressed as a percentage of gross payroll. The Town contributed 0.29% of gross payroll for Group I employees, and 3.66% and 3.66% of gross payroll for Group II fire and police department members, respectively. Employees are not required to contribute. The State Legislature has the authority to establish, amend and discontinue the contribution requirements of the Medical Subsidy plan.

### Actuarial Assumptions and Other Inputs

Actuarial assumptions are the same in the Retirement System footnote.

### Net OPEB Liability, Expense, and Deferred Outflows and (Inflows)

The Town's proportionate share of the net NHRS Medical Subsidy (net OPEB liability) as of the measurement date of June 30, 2019 was \$214,998, representing 0.04904029%.

For the year ended December 31, 2019, the Town recognized an OPEB expense related to the NHRS Medical Subsidy of \$9,922. At December 31, 2019, the Town reported deferred outflows and (inflows) of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred (Inflows) of <u>Resources</u>
Difference between expected and actual experience	\$ -	\$ (374)
Net difference between projected and actual earnings on OPEB investments	-	(242)
Changes in proportion	-	(2,272)
Contributions subsequent to the measurement date	<u>9,949</u>	<u>-</u>
Total	\$ <u>9,949</u>	\$ <u>(2,888)</u>

The amount reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date and before the end of the year will be included as a reduction of the net OPEB liability in the year ending December 31, 2020.

Other amounts reported as deferred outflows and (inflows) of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Fiscal Year Ended:</u>	
2020	\$ (2,806)
2021	(160)
2022	17
2023	<u>61</u>
Total	\$ <u>(2,888)</u>

Sensitivity of the Net NHRS Medical Subsidy OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability, as well as what the total OPEB liability would be if it were calculated using a discount rate that is one percentage-point lower or one percentage-point higher than the current discount rate:

1% Decrease <u>(6.25%)</u>	Current Discount Rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
\$ 233,198	\$ 214,998	\$ 199,183

#### Healthcare Cost Trend Rate

Health care cost trend rates are not applicable given that the benefits are fixed stipends.

#### ***Consolidation of Total/Net OPEB Liabilities and Related Deferred Outflows and (Inflows)***

The following consolidates the Town's total OPEB liability and related deferred outflows/inflows, and the Town's proportionate share of the NHRS Medical Subsidy net OPEB liability and related deferred outflows/inflows at December 31, 2019:

	Net OPEB <u>Liability</u>	Total Deferred Outflows of <u>Resources</u>	Total Deferred (Inflows) of <u>Resources</u>	Total OPEB <u>Expense</u>
Town OPEB Plan	\$ 460,811	\$ -	\$ -	\$ (66,778)
Proportionate share of NHRS Medical Subsidy Plan	<u>214,998</u>	<u>9,949</u>	<u>(2,888)</u>	<u>9,922</u>
Total	<u>\$ 675,809</u>	<u>\$ 9,949</u>	<u>\$ (2,888)</u>	<u>\$ (56,856)</u>

## **20. Commitments and Contingencies**

### ***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.

### ***Outstanding Legal Issues***

On an ongoing basis, there are typically pending legal issues in which the Town is involved. The Town's management is of the opinion that the potential future settlement of these issues would not materially affect its financial statements taken as a whole.

### ***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.



***Encumbrances***

At year-end the Town's general fund has \$85,732 in encumbrances that will be honored in the next year.

**21. New Pronouncements**

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the Town beginning with its year ending December 31, 2021. This statement establishes guidance on how to address the categorization of fiduciary activities for financial reporting and how fiduciary activities are to be reported and may require reclassification of certain funds.

The Governmental Accounting Standards Board (GASB) has issued Statement No. 87, *Leases*, effective for the Town beginning with its year ending December 31, 2022. This statement establishes new reporting and disclosure requirements, including the recording of various operating leases in the financial statements.

**TOWN OF GORHAM, NEW HAMPSHIRE**

Required Supplementary Information  
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 <u>(Negative)</u>
	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	
<b>Revenues</b>				
Property taxes	\$ 3,384,265	\$ 3,384,265	\$ 3,345,162	\$ (39,103)
Penalties, interest and other taxes	145,022	145,022	203,860	58,838
Charges for services	346,270	346,270	412,865	66,595
Intergovernmental	240,330	240,330	214,753	(25,577)
Licenses and permits	659,600	659,600	733,240	73,640
Investment income	20,000	20,000	26,920	6,920
Miscellaneous	<u>7,720</u>	<u>7,720</u>	<u>10,998</u>	<u>3,278</u>
Total Revenues	4,803,207	4,803,207	4,947,798	144,591
<b>Expenditures</b>				
General government	822,630	822,630	887,663	(65,033)
Public safety	1,514,515	1,514,515	1,456,909	57,606
Highways and streets	950,540	950,540	722,083	228,457
Sanitation	373,530	373,530	365,138	8,392
Health and human services	25,544	25,544	5,253	20,291
Welfare	69,245	69,245	67,356	1,889
Culture and recreation	190,637	190,637	179,689	10,948
Conservation	500	500	-	500
Debt service	56,092	56,092	53,371	2,721
Capital Outlay	<u>50,000</u>	<u>50,000</u>	<u>66,125</u>	<u>(16,125)</u>
Total Expenditures	<u>4,053,233</u>	<u>4,053,233</u>	<u>3,803,587</u>	<u>249,646</u>
Excess (Deficiency) of Revenues Over Expenditures	749,974	749,974	1,144,211	394,237
<b>Other Financing Sources/(Uses)</b>				
Transfers in	21	21	181,475	181,454
Transfers out	(960,619)	(960,619)	(1,131,308)	(170,689)
Use of fund balance:				
Voted surplus	110,624	110,624	110,624	-
To reduce taxes	<u>100,000</u>	<u>100,000</u>	<u>100,000</u>	<u>-</u>
Total Other Financing Sources/(Uses)	<u>(749,974)</u>	<u>(749,974)</u>	<u>(739,209)</u>	<u>10,765</u>
Overall Budgetary Excess (Deficiency)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>405,002</u>	\$ <u>405,002</u>

See Independent Auditors' Report.

**Notes to the Required Supplemental Information  
for General Fund Budget**

***Budgetary Basis***

The general fund final appropriation appearing on the previous page 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)	\$ 4,949,943	\$ 4,480,145	\$ (429,273)
Remove effect of combining capital reserve and general fund	(2,145)	(5,533)	(58,820)
Reverse beginning of year appropriation carryforwards from expenditures	-	(290,163)	-
Add end-of-year appropriation carryforwards from expenditures	-	85,732	-
Recognize use of fund balance as funding source/use.	-	-	210,624
Reverse effects of accrued payroll	-	(4,854)	
Reverse effects of non budgeted capital reserve related expenditures		(461,740)	(461,740)
Budgetary Basis	\$ <u>4,947,798</u>	\$ <u>3,803,587</u>	\$ <u>(739,209)</u>

See Independent Auditors' Report.

# **TOWN OF GORHAM, NEW HAMPSHIRE**

## Required Supplementary Information Schedule of Proportionate Share of the Net Pension Liability (Unaudited)

New Hampshire Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net Pension Liability</u>	<u>Proportionate Share of the Net Pension Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Total Pension Liability</u>
December 31, 2019	June 30, 2019	0.06371639%	\$ 3,065,813	\$ 1,926,517	159.14%	65.59%
December 31, 2018	June 30, 2018	0.06844475%	\$ 3,295,753	\$ 1,995,778	165.14%	64.73%
December 31, 2017	June 30, 2017	0.07237282%	\$ 3,559,290	\$ 1,912,865	186.07%	62.66%
December 31, 2016	June 30, 2016	0.07278169%	\$ 3,870,236	\$ 1,860,027	208.07%	58.30%
December 31, 2015	June 30, 2015	0.06901241%	\$ 2,733,945	\$ 1,807,189	151.28%	65.47%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditors' Report.

**TOWN OF GORHAM, NEW HAMPSHIRE**

Required Supplementary Information  
Schedule of Pension Contributions  
(Unaudited)

New Hampshire Retirement System						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Actuarially Determined Contribution</u>	<u>Contributions in Relation to the Actuarially Determined Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2019	June 30, 2019	\$ 277,420	\$ 277,420	\$ -	\$ 1,959,888	14.15%
December 31, 2018	June 30, 2018	\$ 276,119	\$ 276,119	\$ -	\$ 1,919,337	14.39%
December 31, 2017	June 30, 2017	\$ 285,089	\$ 285,089	\$ -	\$ 1,998,618	14.26%
December 31, 2016	June 30, 2016	\$ 257,565	\$ 257,565	\$ -	\$ 1,849,583	13.93%
December 31, 2015	June 30, 2015	\$ 230,041	\$ 230,041	\$ -	\$ 1,700,548	13.53%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditors' Report.

**TOWN OF GORHAM, NEW HAMPSHIRE**

Required Supplementary Information  
Schedules of Proportionate Share of the Net OPEB Liability  
(Unaudited)

**Schedule of Proportionate Share**

New Hampshire Retirement System Medical Subsidy						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Proportion of the Net OPEB Liability</u>	<u>Proportionate Share of the Net OPEB Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position Percentage of the Net OPEB Liability</u>
December 31, 2019	June 30, 2019	0.04904029%	\$214,998	\$ 1,926,517	11.16%	7.75%
December 31, 2018	June 30, 2018	0.05370880%	\$245,903	\$ 1,995,778	12.32%	7.53%
December 31, 2017	June 30, 2017	0.03839880%	\$175,572	\$ 1,912,865	9.18%	7.97%

**Schedule of Contributions**

New Hampshire Retirement System Medical Subsidy						
<u>Fiscal Year</u>	<u>Measurement Date</u>	<u>Contractually Required Contribution</u>	<u>Contributions Relative to Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Employee Payroll</u>
December 31, 2019	June 30, 2019	\$21,277	\$21,277	-	\$1,959,888	1.09%
December 31, 2018	June 30, 2018	\$22,271	\$22,271	-	\$1,919,337	1.16%
December 31, 2017	June 30, 2017	\$22,271	\$22,271	-	\$1,998,618	7.97%

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See Independent Auditors' Report.

**TOWN OF GORHAM, NEW HAMPSHIRE**

Required Supplementary Information  
Other Post-Employment Benefits (OPEB)  
Schedule of Changes in the Total OPEB Liability  
(Unaudited)

	<u>2019</u>	<u>2018</u>
<b>Total OPEB Liability</b>		
Service cost	\$ 30,874	\$ 30,931
Interest on unfunded liability - time value of \$	12,488	22,387
Changes of benefit terms	-	-
Differences between expected and actual experience	-	-
Changes of assumptions	(148,181)	(160,736)
Benefit payments, including refunds of member contributions	<u>(37,678)</u>	<u>(39,962)</u>
Net change in total OPEB liability	(142,497)	(147,380)
Total OPEB liability - beginning	<u>603,308</u>	<u>750,688</u>
Total OPEB liability - ending	<u><u>\$ 460,811</u></u>	<u><u>\$ 603,308</u></u>
 Covered employee payroll	 \$ 1,959,888	 \$ 1,919,337
 Total OPEB liability as a percentage of covered employee payroll	 23.51%	 31.43%

Does not include New Hampshire Retirement System Medical Subsidy.

*Schedules are intended to show information for 10 years. Additional years will be displayed as they become available.*

See notes to the Town's financial statements for summary of actuarial methods and assumptions.

See Independent Auditors' Report.

**TOWN OF GORHAM, NEW HAMPSHIRE**

Combining Balance Sheet  
Nonmajor Governmental Funds  
December 31, 2019

	CPF <u>Transportation</u>	CPF <u>Multi-Modal Rte</u>	SRF <u>DARE</u>	SRF <u>Drug Forfeiture</u>	SRF <u>Forestry</u>	SRF <u>Library</u>	SRF <u>MV Reclamation</u>	SRF <u>Recreation</u>	PTF	Total Non-Major Governmental Funds
<b>Assets</b>										
Cash and short-term investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 6,999	\$ -	\$ -	\$ -	\$ 6,999
Restricted cash	-	-	-	-	-	-	-	-	312,135	312,135
Receivables:										-
Departmental and other	-	833	-	-	-	-	-	-	-	833
Due from other funds	<u>60,681</u>	<u>-</u>	<u>1,394</u>	<u>2,369</u>	<u>49,369</u>	<u>31,378</u>	<u>6,202</u>	<u>107,432</u>	<u>-</u>	<u>258,825</u>
Total Assets	<u>\$ 60,681</u>	<u>\$ 833</u>	<u>\$ 1,394</u>	<u>\$ 2,369</u>	<u>\$ 49,369</u>	<u>\$ 38,377</u>	<u>\$ 6,202</u>	<u>\$ 107,432</u>	<u>\$ 312,135</u>	<u>\$ 578,792</u>
<b>Liabilities and Fund Balances</b>										
Liabilities:										
Due to other funds	<u>\$ -</u>	<u>\$ 833</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 833</u>
Total Liabilities	-	833	-	-	-	-	-	-	-	833
<b>Fund Balances</b>										
Nonspendable	-	-	-	-	-	-	-	-	240,568	240,568
Restricted	-	-	1,394	2,369	49,369	38,377	6,202	107,432	71,567	276,710
Committed	<u>60,681</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>60,681</u>
Total Fund Balances	<u>60,681</u>	<u>-</u>	<u>1,394</u>	<u>2,369</u>	<u>49,369</u>	<u>38,377</u>	<u>6,202</u>	<u>107,432</u>	<u>312,135</u>	<u>577,959</u>
Total Liabilities and Fund Balances	<u>\$ 60,681</u>	<u>\$ 833</u>	<u>\$ 1,394</u>	<u>\$ 2,369</u>	<u>\$ 49,369</u>	<u>\$ 38,377</u>	<u>\$ 6,202</u>	<u>\$ 107,432</u>	<u>\$ 312,135</u>	<u>\$ 578,792</u>

See Independent Auditors' Report.



**TOWN OF GORHAM, NEW HAMPSHIRE**

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

	CPF <u>Transportation</u>	CPF <u>Multi-Modal Rte</u>	SRF <u>DARE</u>	SRF <u>Drug Forfeiture</u>	SRF <u>Forestry</u>	SRF <u>Library</u>	SRF <u>MV Reclamation</u>	SRF <u>Recreation</u>	<u>PTF</u>	Total Non-Major Governmental <u>Funds</u>
<b>Revenues</b>										
Charges for services	\$ 17,996	\$ -	\$ -	\$ -	\$ 23,581	\$ -	\$ 7,685	\$ 121,050	\$ -	\$ 170,312
Investment income	-	-	-	-	-	-	-	-	2,096	2,096
Miscellaneous	-	-	80	-	-	4,329	-	-	-	4,409
Total Revenues	17,996	-	80	-	23,581	4,329	7,685	121,050	2,096	176,817
<b>Expenditures</b>										
Current:										
Public safety	-	-	1,073	-	6,868	-	-	-	-	7,941
Sanitation	-	-	-	-	-	-	16,043	-	-	16,043
Culture and recreation	-	-	-	-	-	198,150	-	107,211	368	305,729
Total Expenditures	-	-	1,073	-	6,868	198,150	16,043	107,211	368	329,713
Excess (deficiency) of revenues over (under) expenditures	17,996	-	(993)	-	16,713	(193,821)	(8,358)	13,839	1,728	(152,896)
<b>Other Financing Sources (Uses)</b>										
Transfers in	-	-	-	-	-	202,896	-	-	55,689	258,585
Total Other Financing Sources (Uses)	-	-	-	-	-	202,896	-	-	55,689	258,585
Net change in fund balances	17,996	-	(993)	-	16,713	9,075	(8,358)	13,839	57,417	105,689
Fund Balances, beginning of year	42,685	-	2,387	2,369	32,656	29,302	14,560	93,593	254,718	472,270
Fund Balances, end of year	\$ 60,681	\$ -	\$ 1,394	\$ 2,369	\$ 49,369	\$ 38,377	\$ 6,202	\$ 107,432	\$ 312,135	\$ 577,959

See Independent Auditors' Report.