

STRAFFORD REGIONAL PLANNING COMMISSION

Annual Financial Statements

For the Year Ended June 30, 2018

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Additional Offices:

Nashua, NH
Andover, MA
Greenfield, MA
Ellsworth, ME

INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Strafford Regional Planning Commission

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Strafford Regional Planning Commission, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the Table of Contents.

Management's Responsibility for the Financial Statements

The Commission'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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Strafford Regional Planning Commission, as of June 30, 2018, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis 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 Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2018 on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Melanson Heath

September 21, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Strafford Regional Planning Commission (the "Commission"), we offer readers this narrative overview and analysis of the financial activities of the Commission for the fiscal year ended June 30, 2018.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to financial statements.

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 Commission's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

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. The accounts of the Commission are reported as governmental funds.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Commission'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 Commission's near-term financing decisions. Reconciliations to facilitate this comparison between governmental funds and governmental activities are provided.

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.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, total assets exceeded liabilities and deferred inflows by \$61,576 (i.e., net position), a change of \$(11,523) in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported an ending fund balance of \$79,465, a change of \$(10,893) in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

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

	<u>NET POSITION</u>	
	<u>2018</u>	<u>2017</u>
Current assets	\$ 155,275	\$ 243,120
Total assets	155,275	243,120
Current liabilities	43,986	111,989
Noncurrent liabilities	17,889	17,259
Total liabilities	61,875	129,248
Deferred inflows of resources	31,824	40,773
Net position:		
Restricted	61,576	73,099
Total net position	\$ 61,576	\$ 73,099

CHANGE IN NET POSITION

	<u>2018</u>	<u>2017</u>
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 858,656	\$ 1,101,004
General revenues:		
Local dues	107,678	103,551
Investment income	168	7
Miscellaneous	33,198	1,645
Total revenues	<u>999,700</u>	<u>1,206,207</u>
Expenses:		
Bad debt expense	15	-
Depreciation	-	891
Dues and subscriptions	4,792	5,980
Employee benefits and taxes	145,015	157,065
Equipment, rentals, maintenance, and support	29,853	77,344
Insurance	5,081	4,674
Internet	2,058	2,120
Legal and professional	16,609	8,715
Library expense	1,957	1,800
Meetings	4,258	4,617
Miscellaneous	645	133
Office expense	1,442	5,884
Postage	806	730
Printing and reproduction	1,024	3,137
Rent	30,000	30,000
Salaries and wages	547,140	567,786
Supplies	3,221	-
Technical and professional services	191,591	315,110
Telephone	2,011	1,993
Training	5,300	4,859
Travel	18,405	18,828
Total expenses	<u>1,011,223</u>	<u>1,211,666</u>
Change in net position	(11,523)	(5,459)
Net position - beginning of year	<u>73,099</u>	<u>78,558</u>
Net position - end of year	<u>\$ 61,576</u>	<u>\$ 73,099</u>

As noted earlier, net position may serve over time as a useful indicator of financial position. At the close of the most recent fiscal year, total net position was \$61,576 a change of \$(11,523) from the prior year.

REQUESTS FOR INFORMATION

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

Strafford Regional Planning Commission

150 Wakefield Street, Suite 12

Rochester, New Hampshire 03867

STRAFFORD REGIONAL PLANNING COMMISSION

GOVERNMENTAL ACTIVITIES

STATEMENT OF NET POSITION

JUNE 30, 2018

ASSETS

Current Assets:

Cash and short-term investments	\$ 72,653
Accounts receivable	79,773
Prepaid expenses	<u>2,849</u>

TOTAL ASSETS 155,275

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Current Liabilities:

Accounts payable	8,780
Accrued expenses	<u>35,206</u>
Total Current Liabilities	43,986

Noncurrent Liabilities:

Compensated absences	<u>17,889</u>
Total Noncurrent Liabilities	<u>17,889</u>

Total Liabilities 61,875

Deferred Inflows of Resources 31,824

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES 93,699

NET POSITION

Restricted 61,576

TOTAL NET POSITION \$ 61,576

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

STRAFFORD REGIONAL PLANNING COMMISSION

GOVERNMENTAL ACTIVITIES

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

	<u>Expenses</u>	<u>Program Revenues</u> Operating Grants and <u>Contributions</u>	Net (Expenses) Revenues and Change in <u>Net Position</u> <u>Governmental Activities</u>
Governmental Activities:			
Planning services	\$ <u>1,011,223</u>	\$ <u>858,656</u>	\$ <u>(152,567)</u>
Total Governmental Activities	\$ <u><u>1,011,223</u></u>	\$ <u><u>858,656</u></u>	<u>(152,567)</u>
	General Revenues:		
	Local dues		107,678
	Investment income		168
	Miscellaneous		<u>33,198</u>
	Total general revenues		<u>141,044</u>
	Change in Net Position		(11,523)
	Net Position:		
	Beginning of year		<u>73,099</u>
	End of year		\$ <u><u>61,576</u></u>

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

STRAFFORD REGIONAL PLANNING COMMISSION

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2018

	General <u>Fund</u>
ASSETS	
Cash and short-term investments	\$ 72,653
Accounts receivable	79,773
Prepaid expenses	<u>2,849</u>
TOTAL ASSETS	<u>\$ 155,275</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 8,780
Accrued expenses	<u>35,206</u>
Total Liabilities	43,986
Deferred Inflows of Resources	31,824
Fund Balances:	
Nonspendable	2,849
Restricted	<u>76,616</u>
Total Fund Balances	<u>79,465</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 155,275</u>

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

STRAFFORD REGIONAL PLANNING COMMISSION

**RECONCILIATION OF TOTAL GOVERNMENTAL FUND
BALANCES TO NET POSITION OF GOVERNMENTAL
ACTIVITIES IN THE STATEMENT OF NET POSITION**

JUNE 30, 2018

Total governmental fund balances	\$ 79,465
<ul style="list-style-type: none">• Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in the governmental funds.	<u>(17,889)</u>
Net position of governmental activities	<u><u>\$ 61,576</u></u>

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

STRAFFORD REGIONAL PLANNING COMMISSION

GOVERNMENTAL FUNDS

STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES

FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>
Revenues:	
Government contracts	\$ 858,656
Local dues	107,678
Investment income	168
Miscellaneous	<u>33,198</u>
Total Revenues	999,700
Expenditures:	
Current:	
Bad debt expense	15
Dues and subscriptions	4,792
Employee benefits and taxes	145,015
Equipment, rentals, maintenance, and support	29,853
Insurance	5,081
Internet	2,058
Legal and professional	16,609
Library expense	1,957
Meetings	4,258
Miscellaneous	645
Office expense	1,442
Postage	806
Printing and reproduction	1,024
Rent	30,000
Salaries and wages	546,510
Supplies	3,221
Technical and professional services	191,591
Telephone	2,011
Training	5,300
Travel	<u>18,405</u>
Total Expenditures	<u>1,010,593</u>
Excess (deficiency) of revenues over expenditures	(10,893)
Fund Equity, Beginning of Year	<u>90,358</u>
Fund Equity, End of Year	<u><u>\$ 79,465</u></u>

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

STRAFFORD REGIONAL PLANNING COMMISSION

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

Net changes in fund balances - Total governmental funds	\$ (10,893)
<ul style="list-style-type: none">• Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(630)</u>
Change in net position of governmental activities	<u><u>\$ (11,523)</u></u>

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

STRAFFORD REGIONAL PLANNING COMMISSION

Notes to Financial Statements

1. Summary of Significant Accounting Policies

The accounting policies of Strafford Regional Planning Commission (the "Commission") conform to Generally Accepted Accounting Principles (GAAP) as applicable to governmental units. The following is a summary of the more significant policies:

A. Reporting Entity

Strafford Regional Planning Commission is a special-purpose entity, a public agency, established pursuant to New Hampshire RSA 36:45-53, governed by a member elected Board of Commissioners. Its purpose is (1) to provide regional planning services in order to prepare and maintain a coordinated plan for development of the region (taking into account present and future needs) with a view toward encouraging the most appropriate use of land, and (2) to provide technical planning assistance to local governments.

On May 30, 2000, the State of New Hampshire enacted Chapter Law 200:1 (codified in RSA 36) entitled "Regional Planning Commissions" with an effective date of July 29, 2000. The new law specifically re-enacts the status of Regional Planning Commissions as "political subdivisions" of the State of New Hampshire. The law also: amends the purpose therein (RSA 36:45); amends the formation and representative of its members (RSA 36:46); and specifically defined its finances (RSA 36:49).

In fiscal year 2018, it was determined that no entities met the required GASB 14 (as amended) criteria of component units.

B. 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 Commission.

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 grants and contributions that are restricted to meeting the operational or capital requirements of a particular function.

Fund Financial Statements

Separate financial statements are provided for governmental funds.

C. 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. Amounts reported as *program revenues* include operating grants and contributions. Grants and similar items are recognized as revenue as soon as all the eligibility requirements imposed by the provider have been met.

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. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, certain expenditures, such as claims and judgments and compensated absences, are recorded only when payment is due.

D. Cash and Short-Term Investments

Deposits with financial institutions consist of deposits in checking and savings accounts.

E. Compensated Absences

It is the Commission's policy to permit employees to accumulate earned but unused vacation benefits. All vested vacation pay is accrued when incurred in the government-wide financial statements.

F. 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 current assets/deferred outflows and current liabilities/deferred inflows. The Commission 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.

The Commission's fund balance classification policies are as follows:

- 1) Nonspendable funds are either unspendable in current form (i.e., prepaid items) or can never be spent.
- 2) Restricted funds are used solely for the purpose in which the fund was established. In the case of special revenue funds, these funds are created by statute or otherwise have external constraints on how the funds can be expended.
- 3) Committed funds are reported and expended as a result of motions passed by the highest decision making authority in the Commission (i.e., the Board of Commissioners).
- 4) Assigned funds are used for specific purposes established by management. These funds include encumbrances which have been assigned for specific goods and services ordered but not yet paid for.
- 5) Unassigned funds are available to be spent in future periods.

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

Net Position - Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on use either through enabling legislation adopted by the Commission or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. The remaining net position is reported as unrestricted.

G. Use of Estimates

The preparation of basic financial statements in conformity with Generally Accepted Accounting Principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures for contingent assets and liabilities at the date of the basic financial statements and the reported amounts of the revenues and expenditures/expenses during the fiscal year. Actual results could vary from estimates that were used.

2. Cash and Short-Term Investments

The carrying amount of the Commission's deposits with financial institutions at June 30, 2018 was \$72,653. The bank balance, which does not include items such as deposits in transit and outstanding checks, was fully insured.

3. Accounts Receivable

Receivables are comprised of amounts due from federal, state, and local governments for contractual services.

4. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of assets by the Commission that are applicable to future reporting periods. Deferred inflows of resources have a negative effect on net position, similar to liabilities. As of June 30, 2018, the deferred inflows of resources balance of \$31,824 represents dues collected from members in advance.

5. Line of Credit

In October 2017, the Commission entered into a \$100,000 line of credit, secured by all assets. This line is payable upon demand and requires monthly interest payments on the outstanding balance at a variable rate of the New York Prime Rate as published in the *Wall Street Journal* plus 1%, with an initial rate of 5.25% per annum to adjust daily. This line is renewable annually, and there is a requirement that for 30 days during the year, the line must be \$0. As of June 30, 2018, the Commission had no outstanding balance on the line of credit.

6. Operating Leases

On August 1, 2010, the Commission entered into a five-year lease for office space. Annual lease expenses under this agreement are \$30,000. The Commission renewed the lease agreement for an additional two years ending July 31, 2017.

On August 1, 2017, the Commission entered into a new two-year lease agreement, for the same location, with an option to extend for an additional two-year period. Future lease obligations are as follows:

<u>Fiscal</u> <u>Year</u>	<u>Amount</u>
2019	\$ 30,000
2020	<u>2,500</u>
Total	\$ <u><u>32,500</u></u>

7. Retirement Plan

All employees earning more than \$5,000 in the calendar year shall be eligible to participate in the Commission's retirement plan. The retirement plan is a Simple IRA as defined and regulated by the Internal Revenue Service. Participation in the Simple IRA Plan is voluntary. Under this plan, an employee may make salary reduction contributions, not to exceed a statutorily limited percentage. The Commission matches the employee's contribution subject to a maximum of three percent (3%) of the employee's gross compensation. The Commission funds placed in the Simple IRA are in addition to the employee's salary, are considered an employer contribution, and are not taxable to the employee unless withdrawn prematurely from the Simple IRA. The Commission's matching contribution for the year ended June 30, 2018 was \$15,842.

8. Commitments and Contingencies

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

9. Risk Management

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Commission carries commercial insurance. There were no significant reductions in insurance coverage from the previous year and have been no material settlements in excess of coverage in any of the past three fiscal years.

10. Concentration of Risk

A material part of the Commission's revenue is dependent upon government sources, the loss of which would have a materially adverse effect on the Commission. During the year ended June 30, 2018, funding from New Hampshire Department of Transportation and U.S. Environmental Protection Agency accounted for 55.7% and 11.1%, respectively, of total revenue.