

Strafford



REGIONAL PLANNING

C O M M I S S I O N

**STRAFFORD REGIONAL
PLANNING COMMISSION**

Annual Financial Statements
For the Year Ended June 30, 2019

(With Independent Auditors' Report Thereon)

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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 (the Commission), as of and for the year ended June 30, 2019 and the related notes to 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. 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, 2019, 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 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.

Melanson Heath

October 18, 2019

STRAFFORD REGIONAL PLANNING COMMISSION

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of 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, 2019.

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements 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 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 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 \$45,215 (i.e., net position), a change of \$(16,361) in comparison to the prior fiscal year.
- As of the close of the current fiscal year, governmental funds reported an ending fund balance of \$67,431, a change of \$(12,034) in comparison to the prior fiscal year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position of the Commission’s governmental activities for the current and prior fiscal years are as follows:

	<u>2019</u>	<u>2018</u>
Current assets	\$ <u>202,754</u>	\$ <u>155,275</u>
Total assets	202,754	155,275
Current liabilities	79,878	43,986
Noncurrent liabilities	<u>22,216</u>	<u>17,889</u>
Total liabilities	102,094	61,875
Deferred inflows of resources	55,445	31,824
Unrestricted net position	<u>45,215</u>	<u>61,576</u>
Total net position	<u>\$ 45,215</u>	<u>\$ 61,576</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 \$45,215 a change of \$(16,361) from the prior fiscal year. Unrestricted net position of \$45,515 may be used to meet the Commission’s ongoing obligations.

Change in net position of the Commission's governmental activities for the current and prior fiscal years are as follows:

	<u>2019</u>	<u>2018</u>
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 769,896	\$ 858,656
General revenues:		
Local dues	117,049	107,678
Investment income	287	168
Miscellaneous	<u>2,462</u>	<u>33,198</u>
Total revenues	889,694	999,700
Expenses:		
Bad debt expense	20	15
Dues and subscriptions	5,302	4,792
Employee benefits and taxes	118,180	145,015
Equipment, rentals, maintenance, and support	29,320	29,853
Insurance	5,051	5,081
Internet	1,026	2,058
Legal and professional	10,965	16,609
Library expense	1,834	1,957
Meetings	2,960	4,258
Miscellaneous	5	645
Office expense	956	1,442
Postage	403	806
Printing and reproduction	1,218	1,024
Rent	30,000	30,000
Salaries and wages	524,066	547,140
Supplies	1,339	3,221
Technical and professional services	151,727	191,591
Telephone	2,419	2,011
Training	4,905	5,300
Travel	<u>14,359</u>	<u>18,405</u>
Total expenses	<u>906,055</u>	<u>1,011,223</u>
Change in net position	(16,361)	(11,523)
Net position - beginning of year	<u>61,576</u>	<u>73,099</u>
Net position - end of year	<u>\$ 45,215</u>	<u>\$ 61,576</u>

D. FINANCIAL ANALYSIS OF THE COMMISSION'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. 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, fund balance may serve as a useful measure of the Commission's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, the ending fund balance for governmental funds, the General Fund, was \$67,431, a change of \$(12,034) in comparison to the prior fiscal 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, 2019

ASSETS

Current Assets:

Cash and short-term investments	\$ 105,390
Accounts receivable	90,726
Prepaid expenses	<u>6,638</u>
TOTAL ASSETS	202,754

LIABILITIES AND DEFERRED INFLOWS OF RESOURCES

Current Liabilities:

Accounts payable	18,813
Accrued expenses	34,391
Advance grant receipts	<u>26,674</u>
Total Current Liabilities	79,878

Noncurrent Liabilities:

Compensated absences	<u>22,216</u>
Total Noncurrent Liabilities	<u>22,216</u>

Total Liabilities 102,094

Deferred Inflows of Resources 55,445

TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES 157,539

NET POSITION

Unrestricted 45,215

TOTAL NET POSITION \$ 45,215

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, 2019

	<u>Expenses</u>	<u>Program Revenues</u> <u>Operating Grants and</u> <u>Contributions</u>	Net (Expenses) Revenues and Change in <u>Net Position</u>
Governmental Activities:			
Planning services	\$ <u>906,055</u>	\$ <u>769,896</u>	\$ <u>(136,159)</u>
Total Governmental Activities	\$ <u><u>906,055</u></u>	\$ <u><u>769,896</u></u>	(136,159)
		General Revenues:	
		Local dues	117,049
		Investment income	287
		Miscellaneous	<u>2,462</u>
		Total general revenues	<u>119,798</u>
		Change in Net Position	(16,361)
		Net Position:	
		Beginning of year	<u>61,576</u>
		End of year	\$ <u><u>45,215</u></u>

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

STRAFFORD REGIONAL PLANNING COMMISSION

GOVERNMENTAL FUNDS

BALANCE SHEET

JUNE 30, 2019

	General Fund
ASSETS	
Cash and short-term investments	\$ 105,390
Accounts receivable	90,726
Prepaid expenses	<u>6,638</u>
TOTAL ASSETS	<u><u>\$ 202,754</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	
Liabilities:	
Accounts payable	\$ 18,813
Accrued expenses	34,391
Advance grant receipts	<u>26,674</u>
Total Liabilities	79,878
Deferred Inflows of Resources	55,445
Fund Balances:	
Nonspendable - prepaid expenses	6,638
Unassigned	<u>60,793</u>
Total Fund Balances	<u>67,431</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 202,754</u></u>

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

STRAFFORD REGIONAL PLANNING COMMISSION

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

JUNE 30, 2019

Governmental fund balances	\$ 67,431
Long-term liabilities, including compensated absences, are not due and payable in the current period and, therefore, are not reported in governmental funds.	<u>(22,216)</u>
Net position of governmental activities	\$ <u>45,215</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, 2019

	General Fund
Revenues:	
Government contracts	\$ 769,896
Local dues	117,049
Investment income	287
Miscellaneous	<u>2,462</u>
Total Revenues	889,694
Expenditures:	
Bad debt expense	20
Dues and subscriptions	5,302
Employee benefits and taxes	118,180
Equipment, rentals, maintenance, and support	29,320
Insurance	5,051
Internet	1,026
Legal and professional	10,965
Library expense	1,834
Meetings	2,960
Miscellaneous	5
Office expense	956
Postage	403
Printing and reproduction	1,218
Rent	30,000
Salaries and wages	519,739
Supplies	1,339
Technical and professional services	151,727
Telephone	2,419
Training	4,905
Travel	<u>14,359</u>
Total Expenditures	<u>901,728</u>
Change in Fund Balance	(12,034)
Fund Balance, Beginning of Year	<u>79,465</u>
Fund Balance, End of Year	<u>\$ 67,431</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, 2019

Change in fund balance - governmental funds	\$ (12,034)
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 governmental funds.	<u>(4,327)</u>
Change in net position - governmental activities	<u>\$ (16,361)</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 significant accounting policies:

Reporting Entity

Strafford Regional Planning Commission is a special-purpose 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 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).

As required by Generally Accepted Accounting Principles, these financial statements present the Commission and applicable component units for which the Commission is considered to be financially accountable. In fiscal 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 Commission.

The Statement of Activities demonstrates the degree to which 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. The Commission has one governmental fund, the General Fund.

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 as expenditures only when payment is due.

Cash and Short-Term Investments

Cash balances are invested to the extent available, and interest earnings are recognized in the General Fund. Deposits with financial institutions consist of deposits in checking and savings accounts.

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.

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 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:

- *Nonspendable funds* are either unspendable in current form (i.e., prepaid items) or can never be spent.
- *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.
- *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).
- *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 received.
- *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 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.

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

2. **Cash and Short-Term Investments**

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Commission's deposits may not be returned. The Commission does not have a

deposit policy for custodial credit risk. As of June 30, 2019, none of the Commission's bank balance was exposed to custodial credit risk as uninsured or uncollateralized.

3. Accounts Receivable

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

4. Deferred Inflows of Resources

Deferred inflows of resources are the acquisition of net position 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, 2019, the deferred inflows of resources balance of \$55,445 represents dues collected in advance from members for the next fiscal year.

5. Line of Credit

The Commission has a \$100,000 line of credit available, 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, 2019, the Commission had no outstanding balance on the line of credit and did not draw on the line during fiscal year 2019.

6. Operating Leases

On August 1, 2017, the Commission entered into a two-year lease agreement for office space with an option to extend for an additional two-year period. Annual lease expenses under this agreement are \$30,000.

On August 1, 2019, 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>
2020	\$ 30,000
2021	30,000
2022	<u>2,500</u>
Total	<u>\$ 62,500</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, 2019 was \$15,250.

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. 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, 2019, funding from New Hampshire Department of Transportation accounted for 58.6% of total revenue and 46.8% of total accounts receivables.

10. New Pronouncements

The Governmental Accounting Standards Board (GASB) has issued Statement No. 84, *Fiduciary Activities*, effective for the Commission beginning with its fiscal year ending June 30, 2020. 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 Commission beginning with its fiscal year ending June 30, 2021. The objective of Statement No. 87 is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or

outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.