

TOWN OF AUBURN, NEW HAMPSHIRE

Financial Statements

December 31, 2019

and

Independent Auditor's Report

TOWN OF AUBURN, NEW HAMPSHIRE
FINANCIAL STATEMENTS
December 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Auburn, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Town of Auburn, New Hampshire (the Town), 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

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on Governmental Activities

As discussed in Note 2 to the financial statements, management has not recorded a liability, deferred outflows of resources, or deferred inflows of resources for the Town's single employer other post-employment benefits plan in governmental activities and, accordingly, has not recorded an expense for the current period change in that liability. Accounting principles generally accepted in the United States of America require that other post-employment benefits attributable to employee services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee be accrued as liabilities and expenses as employees earn the rights to the benefits, which would increase the liabilities, deferred outflows of resources, and deferred inflows of resources, reduce the net position, and change the expenses of the governmental activities. The amount by which this departure would affect the liabilities, deferred outflows of resources, deferred inflows of resources, net position, and expenses of the governmental activities is not reasonably determinable.

Adverse Opinion

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities" paragraph, the financial statements referred to above do not present fairly, the financial position of the governmental activities of the Town of Auburn, New Hampshire, as of December 31, 2019, or the changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in the Town's proportionate share of the net OPEB liability, schedule of Town OPEB contributions, schedule of changes in the Town's proportionate share of the net pension liability, and schedule of Town pension contributions on pages i-vi and 30-36 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

Vashon Clukay & Company PC

Manchester, New Hampshire
February 4, 2021

Management's Discussion and Analysis

This narrative is provided as an overview and analysis of the financial activities of the Town of Auburn for the year ended December 31, 2019. It should be considered in conjunction with the Town's financial statements and footnotes following this section. The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

Financial Highlights

- The assets of the Town of Auburn exceed its liabilities at December 31, 2019 by **\$13,377,685** (net position). The change in net position represents a **5.29% increase** from the prior year's net position of **\$12,704,499**. This is the fifth year reporting the net pension liability (GASB Statement #68) for the Town of Auburn. The amount of Auburn's net pension liability for 2019 is **\$3,031,128** which is **0.0630%** of the total of the New Hampshire Retirement Systems net pension liability. This liability increased by **\$240,458** which equates to a **8.62%** increase to the Town's net pension liability. Additionally, this is the Town's second year reporting its net OPEB liability (GASB Statement #75). The amount of Auburn's net OPEB liability is **\$349,050**, which is **0.0796%** of the total New Hampshire Retirement Systems net OPEB liability. Some of the increases in the pension liability can be explained by the increase in full time officers in the Town. Increase in the OPEB liability can be explained by the recent retirements. Other factors should also be considered on these obligations when increases occur are legislative changes and return on investments.
- As of the close of the current reporting year, the Town of Auburn reported a general fund balance of **\$3,029,387** which includes **\$50,240 in nonspendable**, **\$62,698 in restricted**, **\$183,021 in committed**, **\$295,709 in assigned** and **\$2,437,719 in unassigned fund balance**. General fund total expenditures for 2019 were **\$5,617,888**. There was an increase of **\$312,337** in the general fund balance from December 31, 2018 to December 31, 2019.
- The Town of Auburn lease obligations at year end were **\$326,493**. This shows a net decrease of the Town's lease obligations by **\$121,061** from the prior year. This decrease is due to scheduled payments on prior lease obligations have been reduced by \$135,116 on fire vehicles leases and increase by one police vehicle of \$14,055.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the financial statements of the Town of Auburn, which are comprised of three components:

- A. Government-wide financial statements
- B. Fund financial statements
- C. Notes to the financial statements

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

- A. The **government-wide financial statements** are designed to provide the readers with a broad overview of the financial position of the Town of Auburn. They are similar to private sector financial statements and include the following:
 - I. A *statement of net position* shows the Town's assets and deferred outflows of resources less its liabilities and deferred inflows of resources as of the end of the current reporting year. The difference is reported as net position. Over a period of time, this report is useful in determining whether or not the Town's financial position is improving or declining. Assets and liabilities are generally measured using current values with one major exception being capital assets, which are reported at historical cost less accumulated depreciation.

2. A *statement of activities* shows how the Town's net position changed during the current reporting year. The statement includes all underlying events throughout the year, regardless of whether or not the Town's cash flow is influenced. In other words, revenues that are earned but not collected and expenses that are incurred but not yet paid are reported in this statement and are presented in the form of receivables and payables as of the end of the current reporting year.

The governmental activities reported in the financials for the Town of Auburn include general government, public safety, highways and streets, health, welfare, culture and recreation, conservation, and economic development.

- B. **Fund financial statements:** A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the Town of Auburn can be divided into two categories: governmental and fiduciary.

Governmental funds: Governmental funds essentially account for the same functions reported in the government-wide statement of activities. Unlike the government-wide financial statements however, the governmental fund financial statements focus on near-term inflows and outflows. Governmental funds state the balance of expendable resources available at the end of the reporting year. The governmental fund financial statements give a closer view than the government-wide financial statements and may be useful in evaluating the Town's near-term financing requirements and available resources.

In comparing functions between the two sets of statements, readers may better understand the long-term impact of the Town'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 that can be used to facilitate a comparison between governmental funds and governmental activities of the whole government.

The Town of Auburn maintains four individual governmental funds. The operations of each fund are accounted for separately and are comprised of assets, liabilities, fund equity, revenues and expenditures. The various funds are reported by major fund, with the non-major funds being aggregated into a single column. Combining statements are presented later on in the report as supplementary information to show the aggregate of these funds. The basic governmental fund financial statements can be found on page 3 – 6 of this report.

An annual appropriated budget is adopted each year for the general fund. The budget to actual statement of revenues, expenditures and changes in fund balance for the general fund is included as required supplementary information on page 30.

Fiduciary Funds: Fiduciary funds are used to account for resources held or established under an agreement for the benefit of outside parties. In 2019, fiduciary funds are reflected in the government-wide financial statements by the implementation of GASB No 75. The basic fiduciary fund financial statement can be found on page 7 of this report.

- C. **Notes to the financial statements:** The notes are intended to provide additional information that is essential in order for the reader to fully understand the data that is provided in both the governmental-wide financial statements and fund financial statements.

Government-wide Financial Analysis

As previously pointed out, the statement of net position report is useful in determining whether or not the Town's financial position is improving or declining. As also noted in the Financial Highlights section of this report, the Town of Auburn reported net position of **\$13,377,685** at the close of the report year ended December 31, 2019.

Of this amount, **91.8%** represents the Town's net investment in capital assets (land, building, machinery and equipment); less any related outstanding debt used to acquire them. While these capital assets are used to provide services to the citizens of Auburn, it is important to note that these assets are not available for future spending. Although the Town's capital assets are reported net of related debt, the resources needed to satisfy such debt must be provided from other sources, as the capital assets themselves cannot be used to liquidate these liabilities.

Less than 2% of the Town's net position represent resources that are restricted in use, and \$895,073 (or 6.7%) are in unrestricted net position that may be used to meet the on-going obligations to Auburn citizens and creditors. At the year ended December 31, 2019, the Town of Auburn is able to report:

**Town of Auburn
Table 1 Statement of Net Position**

	<u>2019</u>	<u>2018</u>	<u>Change</u>	<u>% Chg</u>
Current assets***	\$ 4,705,884	\$ 8,645,501	(3,939,617)	-45.6%
Capital assets, net	<u>12,600,559</u>	<u>12,328,143</u>	<u>272,416</u>	2.2%
Total Assets	17,306,443	20,973,644	(3,667,201)	-17.5%
Deferred Outflows of Resources	<u>568,740</u>	<u>579,081</u>	<u>(10,341)</u>	-1.8%
Long-term liabilities	3,903,764	3,746,394	157,370	4.2%
Other Liabilities***	<u>407,523</u>	<u>4,852,063</u>	<u>-4,444,540</u>	-91.6%
Total Liabilities	4,311,287	8,598,457	-4,287,170	-49.9%
Deferred Inflows of Resources	<u>186,211</u>	<u>249,769</u>	<u>(63,558)</u>	-25.4%
Net Position:				
Net investment in capital assets	12,274,066	11,880,589	393,477	
Restricted	208,546	204,907	3,639	
Unrestricted	<u>895,073</u>	<u>619,003</u>	<u>276,070</u>	
Total Net Position	\$ 13,377,685	\$ 12,704,499	673,186	

During year 2019, the Town's net position increased by \$673,186 (5.3%)

***Please note that GASB Statement No 75 was adopted in 2019 which changes some assets and some liabilities on the balance sheet to show as Fiduciary Funds.

Town of Auburn
Table 2 Statement of Activities

	<u>2019</u>	<u>2018</u>	<u>Change</u>
Revenue:			
Program revenues			
Charges for services	\$ 195,196	\$ 194,852	\$ 344
Operating grants and contributions	187,735	204,284	(16,549)
Capital grants and contributions	20,724		20,724
General Revenues:			
Taxes	3,524,587	3,247,091	277,496
Licenses and permits	1,905,699	1,880,206	25,493
Intergovernmental	327,741	281,411	46,330
Interest and investment earnings	63,875	47,439	16,436
Miscellaneous	<u>58,458</u>	<u>24,259</u>	<u>34,199</u>
Total Revenues	6,284,015	5,879,542	404,473
Program Expenses:			
General government	1,376,144	1,352,798	23,346
Public safety	2,297,567	2,108,933	188,634
Highways and streets	1,493,026	1,427,617	65,409
Sanitation	19,759	7,927	11,832
Health and welfare	39,016	39,281	(265)
Culture and recreation	364,056	334,058	29,998
Conservation	5,991	787	5,204
Interest and fiscal charges	<u>11,547</u>		<u>11,547</u>
Total Expense	5,607,106	5,271,401	335,705
Excess before loss on disposal of capital assets and special items	676,909	608,141	68,768
Gain/(loss) on disposal of capital assets	(3,723)	141,994	(138,271)
Special item-Change in accrued landfill postclosure care cost estimate		<u>9,800</u>	<u>(9,800)</u>
Change in net position	<u>673,186</u>	<u>759,935</u>	\$ (86,750)
Net Position – beginning of the year	<u>12,704,499</u>	<u>11,944,564</u>	
Net Position – end of the year	\$ <u>13,377,685</u>	\$ <u>12,704,499</u>	

Financial Analysis of Governmental Funds

The general fund is the central operating fund of the Town of Auburn. The focus of Auburn's governmental funds is to provide information on inflows, outflows and balances of expendable resources available for Town operations and services at the end of each reporting year.

At the end of the current reporting year, Auburn's governmental funds reported a combined ending fund balance of **\$4,236,407**. Of this combined fund balance, less than **4% (\$152,293)** is nonspendable, **3% (\$106,493)** is restricted, **29% (\$1,244,193)** is committed, and **7% (\$295,709)** is assigned, with a remaining balance of **57% (\$2,437,719)** in unassigned fund balance at year end.

As a measure of the general fund's liquidity, it may be useful to compare the unassigned fund balance to the total fund expenditures. The general fund expenditures and other financing uses for this reporting year totaled **\$5,617,888**. The general fund unassigned fund balance was **\$2,437,719** which represents **43%** of the total expenditures and other financing uses in the current year.

General Fund Budgetary Highlights

In the current reporting year, the Town of Auburn's general fund had a favorable variance in the estimated governmental activity revenue versus actual in the amount of **\$303,542**, **5%** more than estimated revenues. All revenue sources were above estimated and contributed to the positive increase.

The Town of Auburn's general fund had a favorable variance in appropriations versus actual expenditures in the amount of **\$75,577** or **1.3%** of appropriations. Most departments contributed to this favorable variance by keeping expenditures under appropriations.

Capital Asset and Debt Administration

The Town of Auburn's capital assets for its governmental type activities net of accumulated depreciation as of December 31, 2019 was **\$12,600,559**, an increase of **\$272,416** over the prior year.

At the end of the current reporting year, the Town of Auburn had **\$3,903,764** in long-term liabilities. Of this amount, capital leases for the purchase of fire trucks and police vehicles totaled **\$202,594**, **\$171,000** is for landfill closure and post closure cost, **\$149,992** is for accrued vacation time, **\$3,031,128** is for the net pension liability, and **\$349,050** is the recently added liability for OPEB.

Economic Factors and Next Year's Budget and Tax Rates

When creating the budget from year to year, the Town of Auburn's primary objective is to provide quality services to its citizens, at the same time attempting to keep the tax rate stable.

The Town of Auburn continues to be financially strong and again has seen growth in net property values. Net property values for 2019 are **\$845,249,116** which is an increase of **\$15,299,712** or **18%** from the prior year. The equalization rate for 2019 is **92.2%** (valuation below market value) where as last year's rate was **99.6%** (valuation near market). This shows that properties in Auburn are selling above the assessed value. This may require an adjustment to assessed values sometime in the near future.

The Town continues to work under PILOT (payment in lieu of taxes) agreement with Manchester Water Works. The agreement allows for a COLA increase beginning in 2019. This amount for 2019 was **\$6,600**. In 2011 Manchester Water Works revenue accounted for **35%** of all revenue; in 2019 Manchester Water Works revenue accounted for less than **5%** of all revenue. Although it is never a positive action to receive less in revenue, however Manchester Water Works has a lesser impact on the Town's finances.

The Town still remains in non-compliance with Town's OPEB cost, which is the implied amount of potential rate increases for current employee health insurance for allowing retirees on Town health care coverage. The amount not reported in the financial statements is still believed to be minimal, as the Town does not pay towards retiree health insurance cost and only two retirees on health care coverage. As the Town grows, this may not always be the true.

Additional Financial Information

The purpose of the financial report is to provide a general overview to all those who have an interest in the Town of Auburn's finances. Questions concerning any of the information provided within this report or requests for additional information can be addressed to the Finance Director, Town of Auburn, PO Box 309, Auburn, NH 03032.

EXHIBIT A
TOWN OF AUBURN, NEW HAMPSHIRE
Statement of Net Position
December 31, 2019

	<u>Governmental Activities</u>
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 2,750,055
Investments	1,639,574
Taxes receivable, net	211,904
Betterment taxes receivable	29,014
Accounts receivable	25,097
Prepaid expenses	50,240
Total Current Assets	<u>4,705,884</u>
Noncurrent Assets:	
Capital assets:	
Non-depreciable capital assets	2,997,734
Depreciable capital assets, net	<u>9,602,825</u>
Total Noncurrent Assets	<u>12,600,559</u>
Total Assets	<u>17,306,443</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows of resources related to OPEB	18,526
Deferred outflows of resources related to pensions	<u>550,214</u>
Total Deferred Outflows of Resources	<u>568,740</u>
LIABILITIES	
Current Liabilities:	
Accounts payable	210,335
Accrued expenses	64,289
Current portion of capital leases payable	123,899
Current portion of estimated liability for landfill postclosure care costs	<u>9,000</u>
Total Current Liabilities	<u>407,523</u>
Noncurrent Liabilities:	
Capital leases payable	202,594
Compensated absences payable	149,992
OPEB liability	349,050
Net pension liability	3,031,128
Estimated liability for landfill postclosure care costs	<u>171,000</u>
Total Noncurrent Liabilities	<u>3,903,764</u>
Total Liabilities	<u>4,311,287</u>
DEFERRED INFLOWS OF RESOURCES	
Property taxes collected in advance	12,701
Deferred inflows of resources related to OPEB	999
Deferred inflows of resources related to pensions	<u>172,511</u>
Total Deferred Inflows of Resources	<u>186,211</u>
NET POSITION	
Net investment in capital assets	12,274,066
Restricted	208,546
Unrestricted	<u>895,073</u>
Total Net Position	<u>\$ 13,377,685</u>

See accompanying notes to the basic financial statements

EXHIBIT B
TOWN OF AUBURN, NEW HAMPSHIRE
Statement of Activities
For the Year Ended December 31, 2019

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental Activities:					
General government	\$ 1,376,144	\$ 17,907			\$ (1,358,237)
Public safety	2,297,567	173,109	\$ 20,635	\$ 20,724	(2,083,099)
Highways and streets	1,493,026		167,100		(1,325,926)
Sanitation	19,759				(19,759)
Health and welfare	39,016				(39,016)
Culture and recreation	364,056	4,180			(359,876)
Conservation	5,991				(5,991)
Interest and fiscal charges	11,547				(11,547)
Total governmental activities	<u>\$ 5,607,106</u>	<u>\$ 195,196</u>	<u>\$ 187,735</u>	<u>\$ 20,724</u>	<u>(5,203,451)</u>
General revenues:					
Property and other taxes					3,524,587
Licenses and permits					1,905,699
Grants and contributions:					
Municipal aid					43,331
Rooms and meals tax distribution					284,410
Interest and investment earnings					63,875
Miscellaneous					58,458
Net loss on disposal of capital assets					(3,723)
Total general revenues and net loss on disposal of capital assets					<u>5,876,637</u>
Change in net position					673,186
Net Position at beginning of year					<u>12,704,499</u>
Net Position at end of year					<u>\$ 13,377,685</u>

See accompanying notes to the basic financial statements

EXHIBIT C
TOWN OF AUBURN, NEW HAMPSHIRE
Balance Sheet
Governmental Funds
December 31, 2019

	General <u>Fund</u>	Conservation <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 1,889,097	\$ 715,110	\$ 145,848	\$ 2,750,055
Investments	1,639,574			1,639,574
Taxes receivable, net	211,904			211,904
Betterment taxes receivable	29,014			29,014
Accounts receivable			25,097	25,097
Due from other funds		163,100	157,865	320,965
Prepaid expenses	50,240			50,240
Total Assets	<u>3,819,829</u>	<u>878,210</u>	<u>328,810</u>	<u>5,026,849</u>
DEFERRED OUTFLOWS OF RESOURCES				
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 3,819,829</u>	<u>\$ 878,210</u>	<u>\$ 328,810</u>	<u>\$ 5,026,849</u>
LIABILITIES				
Accounts payable	\$ 210,335			\$ 210,335
Accrued expenses	55,959			55,959
Due to other funds	320,965			320,965
Total Liabilities	<u>587,259</u>	<u>\$ -</u>	<u>\$ -</u>	<u>587,259</u>
DEFERRED INFLOWS OF RESOURCES				
Uncollected property taxes	162,995			162,995
Property taxes collected in advance	12,701			12,701
Uncollected betterment taxes	27,487			27,487
Total Deferred Inflows of Resources	<u>203,183</u>	<u>-</u>	<u>-</u>	<u>203,183</u>
FUND BALANCES				
Nonspendable	50,240		102,053	152,293
Restricted	62,698		43,795	106,493
Committed	183,021	878,210	182,962	1,244,193
Assigned	295,709			295,709
Unassigned	2,437,719			2,437,719
Total Fund Balances	<u>3,029,387</u>	<u>878,210</u>	<u>328,810</u>	<u>4,236,407</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 3,819,829</u>	<u>\$ 878,210</u>	<u>\$ 328,810</u>	<u>\$ 5,026,849</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1
TOWN OF AUBURN, NEW HAMPSHIRE
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
December 31, 2019

Total Fund Balances - Governmental Funds (Exhibit C)	\$ 4,236,407
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	12,600,559
Taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis.	162,995
Betterment tax assessments not available to pay for current period expenditures are reported as deferred inflows of resources in the governmental funds.	27,487
Deferred outflows of resources and deferred inflows of resources that do not require or provide the use of current financial resources are not reported within the funds.	
Deferred outflows of resources related to OPEB liability	18,526
Deferred outflows of resources related to net pension liability	550,214
Deferred inflows of resources related to OPEB liability	(999)
Deferred inflows of resources related to net pension liability	(172,511)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Long-term liabilities at year end consist of:	
Capital leases payable	(326,493)
Accrued interest on long-term obligations	(8,330)
Compensated absences payable	(149,992)
OPEB liability	(349,050)
Net pension liability	(3,031,128)
Estimated liability for landfill postclosure care costs	<u>(180,000)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 13,377,685</u>

See accompanying notes to the basic financial statements

EXHIBIT D
TOWN OF AUBURN, NEW HAMPSHIRE
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended December 31, 2019

	General <u>Fund</u>	Conservation <u>Fund</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:				
Taxes	\$ 3,347,768	\$ 168,500		\$ 3,516,268
Licenses and permits	1,905,699			1,905,699
Intergovernmental	515,476			515,476
Charges for services	57,669		\$ 137,527	195,196
Interest and investment income	58,286	3,114	2,475	63,875
Miscellaneous	31,229		27,229	58,458
Total Revenues	<u>5,916,127</u>	<u>171,614</u>	<u>167,231</u>	<u>6,254,972</u>
Expenditures:				
Current operations:				
General government	1,299,074			1,299,074
Public safety	1,887,298		137,692	2,024,990
Highways and streets	1,072,481			1,072,481
Sanitation	19,759			19,759
Health and welfare	39,016			39,016
Culture and recreation	310,329		19,967	330,296
Conservation	591	5,400		5,991
Capital outlay	989,340			989,340
Total Expenditures	<u>5,617,888</u>	<u>5,400</u>	<u>157,659</u>	<u>5,780,947</u>
Excess revenues over (under) expenditures	<u>298,239</u>	<u>166,214</u>	<u>9,572</u>	<u>474,025</u>
Other financing sources (uses):				
Proceeds from capital lease obligations	14,055			14,055
Transfers in	43			43
Transfers out			(43)	(43)
Total Other financing sources (uses)	<u>14,098</u>	<u>-</u>	<u>(43)</u>	<u>14,055</u>
Net change in fund balances	312,337	166,214	9,529	488,080
Fund Balances at beginning of year, as restated	<u>2,717,050</u>	<u>711,996</u>	<u>319,281</u>	<u>3,748,327</u>
Fund Balances at end of year	<u>\$ 3,029,387</u>	<u>\$ 878,210</u>	<u>\$ 328,810</u>	<u>\$ 4,236,407</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1
TOWN OF AUBURN, 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

Net Change in Fund Balances - Governmental Funds (Exhibit D) \$ 488,080

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays exceeded depreciation expense in the current period. 276,139

Governmental funds only report the disposal of assets to the extent proceeds are received from the sale. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the net loss on the disposals of capital assets reduced by the actual proceeds received from the disposal. (3,723)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 8,319

Repayment of principal on capital leases is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. 135,116

Proceeds from capital leases are reported as other financing sources in the governmental funds, but capital lease issuances increase long-term liabilities in the statement of net position. (14,055)

In the statement of activities, interest is accrued on outstanding long-term debt, whereas in governmental funds, an interest expenditure is reported when due. 3,074

Some expenses reported in the statement of activities, such as compensated absences and estimated landfill postclosure care costs, do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds. 12,204

Governmental funds report OPEB and pension contributions as expenditures. However, in the statement of activities, OPEB and pension expense reflects the change in the OPEB liability and net pension liability and related deferred outflows and inflows of resources, and does not require the use of current financial resources. This is the amount by which OPEB and pension expense differed from OPEB and pension contributions in the current period.

Net changes in OPEB	(47,534)
Net changes in pension	<u>(184,434)</u>

Change in Net Position of Governmental Activities (Exhibit B) \$ 673,186

EXHIBIT E
TOWN OF AUBURN, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2019

	Custodial Funds
ASSETS	
Cash and cash equivalents	\$ 5,491,965
Taxes receivable	<u>275,380</u>
Total Assets	<u>5,767,345</u>
LIABILITIES	
Accounts payable	4,117
Due to other governments	<u>5,278,961</u>
Total Liabilities	<u>5,283,078</u>
NET POSITION	
Restricted for:	
Individuals and other governments	<u>484,267</u>
Total Net Position	<u>\$ 484,267</u>

See accompanying notes to the basic financial statements

EXHIBIT F
TOWN OF AUBURN, NEW HAMPSHIRE
Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended December 31, 2019

	Custodial Funds
ADDITIONS:	
Investment Earnings:	
Interest income	\$ 8,138
Total Investment Earnings	<u>8,138</u>
Property tax collections for other governments	13,060,360
Motor vehicle fee collections for other governments	487,035
Miscellaneous	<u>66,472</u>
Total Additions	<u>13,622,005</u>
DEDUCTIONS:	
Beneficiary payments to individuals	177,324
Payments of property tax to other governments	13,060,360
Payments of motor vehicle fees to other governments	<u>487,035</u>
Total Deductions	<u>13,724,719</u>
Change in net position	(102,714)
Net Position at the beginning of year, as restated	<u>586,981</u>
Net Position at the end of year	<u>\$ 484,267</u>

See accompanying notes to the basic financial statements

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS
For the Year Ended December 31, 2019

NOTE 1—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Town of Auburn, New Hampshire conform to accounting policies generally accepted in the United States of America for local governmental units, except as indicated hereinafter. The following is a summary of significant accounting policies.

Financial Reporting Entity

The Town of Auburn, New Hampshire (the Town) was incorporated in 1845. The Town operates under the Town Meeting/Board of Selectmen form of government and performs local governmental functions authorized by State law.

The financial statements include those of the various departments governed by the Board of Selectmen and other officials with financial responsibility. The Town has no other separate organizational units, which meet criteria for inclusion in the financial statements as defined by the Governmental Accounting Standards Board (GASB).

Basis of Presentation

The Town's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information.

1. Government-Wide Financial Statements:

The statement of net position and statement of activities display information about the Town as a whole. These statements include the financial activities of the primary government, except for fiduciary funds.

The statement of net position presents the financial condition of the governmental activities of the Town at year end. The statement of activities presents a comparison between direct expenses and program revenues for each program or function of the Town's governmental activities. Direct expenses are those that are specifically associated with a service, program or department and therefore clearly identifiable to a particular function. Program revenues include charges paid by the recipient of the goods or services offered by the program, grants and contributions that are restricted to meeting the operational or capital requirements of a particular program and interest earned on grants that is required to be used to support a particular program. Revenues which are not classified as program revenues are presented as general revenues of the Town. The comparison of direct expenses with program revenues identifies the extent to which each governmental function is self-financing or draws from the general revenues of the Town.

2. Fund Financial Statements:

During the year, the Town segregates transactions related to certain Town functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Fund financial statements are designed to present financial information of the Town at this more detailed level. The focus of governmental fund financial statements is on major funds. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

Fund Accounting

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

1. Governmental Funds:

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

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

The *Conservation Fund* is used to account for financial resources associated with conservation efforts of the Town.

2. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is comprised solely of custodial funds. Custodial funds are used to account for amounts collected by the Town and remitted to other individuals or governments. These assets are therefore not available to support the Town's own programs. The Town's custodial funds account for the property taxes collected on behalf of the Auburn School District and Rockingham County, motor vehicle fees collected on behalf of the State of New Hampshire, and the capital reserve funds of the Auburn School District, which are held by the Town as required by State law. Other custodial funds consist of developer's performance deposits.

Measurement Focus

1. Government-Wide Financial Statements:

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

2. Fund Financial Statements:

All governmental funds are accounted for using a flow of current financial resources measurement focus. With this measurement focus, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources generally are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

approach differs from the manner in which the governmental activities of the government-wide financial statements are prepared. Governmental fund financial statements therefore include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Government-wide financial statements are prepared using the accrual basis of accounting. Fiduciary funds also use the accrual basis of accounting. Governmental funds use the modified accrual basis of accounting. Differences in the accrual and the modified accrual basis of accounting arise in the recognition of revenue and in the presentation of expenses versus expenditures.

1. Revenues – Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is recorded in the year in which the resources are measurable and become available. Available means that the resources will be collected within the current year, or are expected to be collected soon enough thereafter to be used to pay liabilities of the current year. For the Town, available means expected to be received within sixty days of year end.

Non-exchange transactions, in which the Town receives value without directly giving equal value in return, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied (see Note 12). Revenue from grants, entitlements, and donations, are recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the year when use is first permitted; matching requirements, in which the Town must provide local resources to be used for a specified purpose; and expenditure requirements, in which the resources are provided to the Town on a reimbursement basis. On a modified accrual basis, revenue from non-exchange transactions must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: property taxes, charges for services, and interest on investments.

Licenses and permits and miscellaneous revenues are recorded as revenues when received in cash because they are generally not measurable until actually received.

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

2. Expenses/Expenditures:

On the accrual basis of accounting, expenses are recognized at the time they are incurred. The measurement focus of governmental fund accounting is on decreases in net financial resources (expenditures) rather than expenses. Expenditures are generally recognized in the accounting period in

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

which the related fund liability is incurred, if measurable. Allocations of cost, such as depreciation and amortization are not recognized in governmental funds.

Budgetary Data

The Town's budget represents functional appropriations as authorized by annual or special Town meetings. The Selectmen may transfer funds between operating categories as they deem necessary. The Town adopts its budget under State regulations, which differ somewhat from accounting principles generally accepted in the United States of America in that the focus is on the entire governmental unit rather than on the basis of fund types.

State law requires balanced budgets but permits the use of beginning fund balance to reduce the property tax rate. For the year ended December 31, 2019, the Town did not apply any of its unappropriated fund balance to reduce taxes.

Investments

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

Taxes Receivable

Taxes levied during the current year and prior and uncollected at December 31, 2019 are recorded as receivables net of a reserve for estimated uncollectible taxes of \$30,000.

Betterment Taxes Receivable

Betterment assessment taxes charged to certain residents for waterline replacement during the current and prior years that will be collected in future periods are recorded as receivables and deferred inflows of resources in the governmental fund financial statements. The revenue is recognized when earned in the government-wide financial statements.

Capital Assets

General capital assets result from expenditures in the governmental funds. These assets are reported in the government-wide statement of net position, but are not reported in the fund financial statements.

All capital assets including infrastructure are capitalized at cost (or estimated historical cost) and updated for additions and retirements during the year. Donated capital assets are recorded at their acquisition value as of the date received. The Town maintains a capitalization threshold of \$5,000. The Town is not required to retroactively report its general infrastructure. The Town's infrastructure consists of roads and similar items. Infrastructure records have been maintained effective January 1, 2004 and are included in these financial statements. Intangible assets of the Town consist of land easements and software (other intangible assets). Improvements are capitalized; the costs of normal maintenance and repairs that do not add to the value of the asset or materially extend an asset's life are not.

All reported capital assets except for land, land easements and construction in progress are depreciated. Improvements are depreciated over the remaining useful lives of the related capital assets. Useful lives for

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

infrastructure were estimated based on the Town's historical records of necessary improvements and replacement. Depreciation is computed using the straight-line method over the following useful lives:

<u>Description</u>	<u>Years</u>
Land improvements	10
Buildings and improvements	10-25
Machinery, vehicles and equipment	4-10
Other intangible assets	5
Infrastructure	25

Compensated Absences

Employees can accumulate earned time as they provide services. Dependent upon the years of service, employees accrue earned time at a rate of eleven to twenty-six days per year. Pursuant to Town personnel policy and certain union agreements, upon voluntary separation of employment from the Town, employees shall be compensated for unused earned time (subject to certain maximum limitations) at current rates of pay.

For governmental fund financial statements, compensated absences are reported as liabilities and expenditures as payments come due each period upon the occurrence of employee death or retirement. The entire compensated absence liability is reported on the government-wide financial statements.

Accrued Liabilities and Long-Term Obligations

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

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) OPEB Plan and additions to/deductions from NHRS's fiduciary net position have been determined on the same basis as they are reported by NHRS. For this purpose, NHRS recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for non-registered commingled funds valued at net asset value (NAV) as a practical expedient to estimate fair value.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Hampshire Retirement System (NHRS) and additions to/deductions from NHRS's fiduciary net

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

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 the benefit terms.

Net Position

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances on any borrowings used for the acquisition, construction or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Town or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. Unrestricted net position is the net amount of the assets, deferred outflows of resources, liabilities and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted components of net position.

The Town's policy is to first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

Fund Balance Policy

The Town has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. The components of fund balance are defined as follows:

- ***Nonspendable Fund Balance***: Amounts that are not in a spendable form or are required to be maintained intact.
- ***Restricted Fund Balance***: Includes funds legally restricted for specific purposes stipulated by external resource providers or through enabling legislation. Restrictions may be changed or lifted only with the consent of the resource providers or through enabling legislation.
- ***Committed Fund Balance***: Includes amounts that can be used only for the specific purposes determined by a formal action of the Town's highest level of decision making authority (the Annual Town Meeting). Commitments may be changed or lifted only by the governing body taking the same formal action that imposed the constraint originally. The governing body's actions must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.
- ***Assigned Fund Balance***: Amounts the Town intends to use for specific purposes. For all governmental funds other than the General Fund, any remaining positive fund balance is to be classified as "Assigned". All appropriations shall lapse at the end of the fiscal year unless authorized with the provision of RSA 32:7.
- ***Unassigned Fund Balance***: Amounts that are not obligated or specifically designated for a specified use and are available for any purpose. The residual classification of any General Fund balance is to be reported here. Any deficit balance of another governmental fund is also classified as "Unassigned".

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

Spending Prioritizations

In circumstances where expenditures are incurred for purposes for which both restricted and unrestricted fund balance is available, restricted fund balance is considered to have been spent first. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications can be used, committed amounts should be reduced first, followed by assigned amounts then unassigned amounts.

Deficit Fund Balance

At year end, if any of the special revenue funds have a deficit unassigned fund balance, the Selectmen are authorized to transfer funds from the General Fund to cover the deficit, providing the General Fund has enough resources to do so. The Town will follow the provisions of the State Municipal Budget Law in emergency situations which may cause an over expenditure of total appropriations.

Minimum Level of Unassigned Fund Balance

As recommended by the NH Department of Revenue Administration, the Town will strive to maintain an unassigned fund balance in the General Fund equal to 8-17% of the total annual appropriations or 5-15% of regular General Fund operating revenue. The Selectmen have the authority to apply unassigned fund balance in order to balance the budget and reduce property tax rates.

Interfund Activity

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

Estimates

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

NOTE 2—STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

The Town did not implement the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASBS 75) as it pertains to its single employer OPEB plan. GASBS 75 requires governments to account for certain other postemployment benefits (OPEB), primarily healthcare, on an accrual basis rather than on a pay-as-you-go basis. The provisions of GASBS 75 were required to be implemented by the Town during the year ended December 31, 2018. The Town has only implemented the provisions of GASBS 75 as it pertains to its cost-sharing multiple-employer defined benefit OPEB plan (see Note 6).

**TOWN OF AUBURN, NEW HAMPSHIRE
 NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
 For the Year Ended December 31, 2019**

NOTE 3—DEPOSITS AND INVESTMENTS

Deposits and investments as of December 31, 2019 are classified in the accompanying financial statements as follows:

Statement of Net Position:	
Cash and cash equivalents	\$ 2,750,055
Investments	1,639,574
Statement of Fiduciary Net Position:	
Cash and cash equivalents	<u>5,491,965</u>
	<u>\$ 9,881,594</u>

Deposits and investments at December 31, 2019 consist of the following:

Cash on hand	\$ 326
Deposits with financial institutions	8,241,694
Investments	<u>1,639,574</u>
	<u>\$ 9,881,594</u>

The Town's investment policy for governmental funds requires that deposits be made in the New Hampshire Public Deposit Investment Pool (NHPDIP), federally insured banks chartered under the laws of the State of New Hampshire or the federal government with a branch within the State of New Hampshire. Funds may be deposited in federally insured banks outside the state if such banks pledge and deliver to a third-party custodial bank or the federal reserve bank collateral security for such deposits. The Town limits its investments for governmental funds to the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool in accordance with New Hampshire State law, and federally insured banks chartered under the laws of New Hampshire or the federal government with a branch within the State to the following investment types: money market accounts, certificates of deposit, repurchase agreements collateralized by U.S. Government Securities, all other types of interest bearing accounts, or U.S. Government notes and obligations fully guaranteed as to principal and interest by the United States government.

Responsibility for the investments of the trust funds is with the Board of Trustees. Investments of the library funds are at the discretion of the Library Trustees.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Town's investment policy for managing credit risk is based on the prudent person principal to ensure capital preservation and protection of investment principal while maintaining sufficient liquidity and seeking market-average rate of return.

As of December 31, 2019, the Town's investment in the NHPDIP, a state investment pool, of \$1,639,574 was rated AAAM.

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

Custodial Credit Risk

Custodial credit risk for deposits is the risk that in the event of a bank failure, the Town's deposits may not be returned. The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. For assurance against custodial credit risk, the Town's investment policy requires that all investment and depository instruments be secured by collateral having a market value at least equal to 102% of the amount deposited above the FDIC limits. Such collateral shall be held by a third-party custodian and segregated for the exclusive benefit of the Town.

Of the Town's deposits with financial institutions at year end, \$7,772,394 was collateralized by securities held by Bank of New York Mellon with the Town as beneficiary.

Investment in NHPDIP

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

Investments in the NHPDIP are not investment securities and, as such, are not categorized by risk. The Town's exposure to derivatives is indirect through its participation in the NHPDIP. The Town's proportional share of these derivatives is not available. The fair value of the position in the investment pool is equal to the value of the pool shares and have been measured at amortized cost.

NOTE 4—CAPITAL ASSETS

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

	<u>Balance</u> <u>1/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2019</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 908,731			\$ 908,731
Land easements	1,334,788			1,334,788
Construction in progress	512,461	\$ 658,737	\$ (416,983)	754,215
Total capital assets not being depreciated	<u>2,755,980</u>	<u>658,737</u>	<u>(416,983)</u>	<u>2,997,734</u>
Other capital assets:				
Land improvements	851,229	60,630		911,859
Buildings and improvements	1,974,457	56,075		2,030,532
Machinery, vehicles and equipment	2,793,248	414,464	(113,707)	3,094,005
Other intangible assets	29,072			29,072
Infrastructure	10,545,564	156,943		10,702,507
Total other capital assets at historical cost	<u>16,193,570</u>	<u>688,112</u>	<u>(113,707)</u>	<u>16,767,975</u>

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

Less accumulated depreciation for:				
Land improvements	(689,590)	(19,905)		(709,495)
Buildings and improvements	(1,590,568)	(51,583)		(1,642,151)
Machinery, vehicles and equipment	(1,463,852)	(165,876)	109,984	(1,519,744)
Other intangible assets	(26,165)			(26,165)
Infrastructure	(2,851,232)	(416,363)		(3,267,595)
Total accumulated depreciation	<u>(6,621,407)</u>	<u>(653,727)</u>	<u>109,984</u>	<u>(7,165,150)</u>
Total other capital assets, net	<u>9,572,163</u>	<u>34,385</u>	<u>(3,723)</u>	<u>9,602,825</u>
Total capital assets, net	<u>\$ 12,328,143</u>	<u>\$ 693,122</u>	<u>\$ (420,706)</u>	<u>\$ 12,600,559</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 39,555
Public safety	155,060
Highways and streets	420,546
Culture and recreation	<u>38,566</u>
Total governmental activities depreciation expense	<u>\$ 653,727</u>

The balance of assets acquired through capital lease issuances as of December 31, 2019 is as follows:

Machinery, vehicles and equipment	\$ 1,024,734
Less: Accumulated depreciation	<u>(217,234)</u>
	<u>\$ 807,500</u>

NOTE 5—LONG-TERM OBLIGATIONS

Changes in Long-Term Obligations

The changes in the Town's long-term obligations for the year ended December 31, 2019 are as follows:

	<u>Balance</u> <u>1/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2019</u>	<u>Due Within</u> <u>One Year</u>
Governmental activities:					
Capital leases payable	\$ 447,554	\$ 14,055	\$ (135,116)	\$ 326,493	\$ 123,899
Compensated absences payable	<u>162,196</u>	<u>19,036</u>	<u>(31,240)</u>	<u>149,992</u>	<u></u>
	<u>\$ 609,750</u>	<u>\$ 33,091</u>	<u>\$ (166,356)</u>	<u>\$ 476,485</u>	<u>\$ 123,899</u>

Payments on the capital leases payable are paid out of the General Fund. Compensated absences will be paid from the fund where the employee's salary is paid.

Capital Lease Obligations

Capital lease obligations represent lease agreements entered into for the financing of equipment acquisitions. These contracts are subject to cancellation should funds not be appropriated to meet payment obligations. Amounts are annually budgeted in the applicable functions.

**TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019**

The following are the individual capital lease obligations outstanding at December 31, 2019:

Fire department apparatus, due in annual installments of \$72,696, including interest at 2.99%, through April 2021	\$ 139,121
Fire department apparatus, due in annual installments of \$48,213, including interest at 3.94%, through March 2023	173,317
Ford Police Interceptor Utility, due in annual installments of \$15,144, including interest at 7.75%, through February 2020	<u>14,055</u>
	<u>\$ 326,493</u>

Debt service requirements to retire capital lease obligations outstanding at December 31, 2019 are as follows:

Year Ending December 31,	Principal	Interest	Totals
2020	\$ 123,899	\$ 12,154	\$ 136,053
2021	113,521	7,388	120,909
2022	44,628	3,585	48,213
2023	<u>44,445</u>	<u>1,828</u>	<u>46,273</u>
	<u>\$ 326,493</u>	<u>\$ 24,955</u>	<u>\$ 351,448</u>

NOTE 6—OTHER POSTEMPLOYMENT BENEFITS

Plan Description

The New Hampshire Retirement System (NHRS) administers a cost-sharing multiple-employer other postemployment benefit plan (OPEB Plan). The OPEB Plan provides a medical insurance subsidy to qualified retired members.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System at 54 Regional Drive, Concord, New Hampshire 03301 or from their website at www.nhrs.org.

The OPEB Plan is divided into four membership types. The four membership types are Group II Police Officer and Firefighters, Group I Teachers, Group I Political Subdivision Employees, and Group I State Employees. The OPEB plan is closed to new entrants.

Benefits Provided

Benefit amounts and eligibility requirements for the OPEB Plan are set by state law (RSA 100-A:52, RSA 100-A:52-a and RSA 100-A:52-b), and members are designated in statute by type. The medical insurance subsidy is a payment made by NHRS to the former employer or its insurance administrator toward the cost of health insurance for a qualified retiree, his/her qualified spouse, and his/her certified dependent children with a disability who are living in the household and being cared for by the retiree. If the health insurance premium amount is less than the medical subsidy amount, then only the health insurance

**TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019**

premium amount will be paid. If the health insurance premium amount exceeds the medical subsidy amount, then the retiree or other qualified person is responsible for paying any portion that the employer does not pay.

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

Funding Policy

Per RSA-100-A:16, contribution rates are established and may be amended by the New Hampshire State legislature and are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town’s contribution rate for the covered payroll of general employees and public safety employees were 0.30% and 4.10%, respectively, through June 30, 2019, and 0.29% and 3.66%, respectively, thereafter. Contributions to the OPEB plan for the Town were \$33,801 for the year ended December 31, 2019. Employees are not required to contribute to the OPEB plan.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At December 31, 2019, the Town reported a liability of \$349,050 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by a roll forward of the actuarial valuation from June 30, 2018. The Town’s proportion of the net OPEB liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2019, the Town’s proportion was approximately 0.0796 percent, which was an increase of 0.0077 percentage points from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Town recognized OPEB expense of \$81,336. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience		\$ 607
Net difference between projected and actual earnings on OPEB plan investments		392
Changes in proportion and differences between Town contributions and proportionate share of contributions	\$ 3,772	
Town contributions subsequent to the measurement date	<u>14,754</u>	
Totals	<u>\$ 18,526</u>	<u>\$ 999</u>

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

The net amount of deferred outflows of resources and deferred inflows of resources related to OPEB is reflected as an increase to unrestricted net position in the amount of \$17,527. The Town reported \$14,754 as deferred outflows of resources related to OPEB resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net OPEB liability in the measurement period ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense for the measurement periods as follows:

<u>June 30,</u>	
2020	\$ 2,905
2021	(260)
2022	27
2023	101
	<u>\$ 2,773</u>

Actuarial Assumptions

The total OPEB liability was determined by a roll forward of the actuarial valuation as of June 30, 2018, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

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

Mortality rates were based on the RP-2014 healthy annuitant and employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

The long-term expected rate of return on OPEB Plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each asset class:

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	4.25-4.50%
Fixed income	25%	1.12-2.46%
International equity	20%	4.50-6.00%
Alternative investments	15%	4.86-7.90%
Real estate	10%	3.00%
Total	<u>100%</u>	

The discount rate used to measure the collective total OPEB liability as of June 30, 2019 was 7.25%. The projection of cash flows used to determine this single discount rate assumed that employer contributions will be made under the current statutes RSA 100-A:16 and RSA 100-A:53. Based on those assumptions, the OPEB Plan's fiduciary net position was projected to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB Plan investments was applied to all periods of projected benefit payments to determine the collective total OPEB liability.

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

The following presents the Town's proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease <u>(6.25%)</u>	Current Discount rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Net OPEB liability	\$ 378,598	\$ 349,050	\$ 323,375

NOTE 7—DEFINED BENEFIT PENSION PLAN

Plan Description

The Town contributes to the New Hampshire Retirement System (NHRS), a public employee retirement system that administers a single cost-sharing multiple-employer defined benefit pension plan. The plan provides service, disability, death and vested retirement allowances to plan members and beneficiaries. Benefit provisions are established and may be amended by the New Hampshire State legislature.

The NHRS issues a publicly available financial report that includes financial statements and required supplementary information for NHRS. That report may be obtained by writing to New Hampshire Retirement System at 54 Regional Drive, Concord, New Hampshire 03301, or from their website at www.nhrs.org.

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

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

**TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019**

Benefits Provided

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

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

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

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

Funding Policy

Covered police officers and fire employees are required to contribute 11.55% and 11.80%, respectively, of their covered salary, whereas general employees are required to contribute 7.0% of their covered salary. The Town is required to contribute at an actuarially determined rate. The Town's contribution rates for the covered payroll of police officers, fire employees, and general employees were 25.33%, 27.79%, and 11.08%, respectively, through June 30, 2019, and 24.77%, 26.43%, and 10.88%, respectively, thereafter. The Town contributed 100% of the employer cost for police officers, firefighters, and general employees of the Town.

Per RSA-100-A:16, plan member contribution rates are established and may be amended by the New Hampshire State legislature and employer contribution rates are determined by the NHRS Board of Trustees based on an actuarial valuation. The Town's pension contributions to the NHRS for the year ended December 31, 2019 were \$266,888.

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

At December 31, 2019, the Town reported a liability of \$3,031,128 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 a roll forward of the actuarial valuation from June 30, 2018. The Town's proportion of the net pension liability was based on actual contributions by the Town during the relevant fiscal year relative to the actual contributions of all participating plan members, excluding contributions to separately finance specific liabilities of individual employers or NHRS. At June 30, 2019, the Town's proportion was approximately 0.0630 percent, which

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

was an increase of approximately 0.0050 percentage points from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Town recognized pension expense of \$451,322. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of <u>Resources</u>	Deferred Inflows of <u>Resources</u>
Differences between expected and actual experience	\$ 16,760	\$ 65,178
Change in assumptions	108,756	
Net difference between projected and actual earnings on pension plan investments		24,760
Changes in proportion and differences between Town contributions and share of contributions	300,389	82,573
Town contributions subsequent to the measurement date	<u>124,309</u>	
Totals	<u>\$ 550,214</u>	<u>\$ 172,511</u>

The net amount of deferred outflows of resources and deferred inflows of resources related to pension is reflected as an increase to unrestricted net position in the amount of \$377,703. The Town reported \$124,309 as deferred outflows of resources related to pension resulting from Town contributions subsequent to the measurement date. This amount will be recognized as a reduction of the net pension liability in the measurement period ended June 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pension will be recognized as pension expense in the measurement periods as follows:

<u>June 30</u>	
2020	\$ 161,556
2021	(17,541)
2022	63,943
2023	<u>45,436</u>
	<u>\$ 253,394</u>

Actuarial Assumptions

The total pension liability was determined by a roll forward of the actuarial valuation as of June 30, 2018, using the following actuarial assumptions:

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

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

Mortality rates were based on the RP-2014 employee generational mortality tables for males and females with credibility adjustments, adjusted for fully generational mortality improvements using Scale MP-2015, based on the last experience study.

The actuarial assumptions used in the June 30, 2018 valuation were based on the results of the most recent actuarial experience study, which was for the period July 1, 2010 – June 30, 2015.

The long-term expected rate of return on pension plan investments was selected from a best estimate range determined using the building block approach. Under this method, an expected future real return range is calculated separately for each asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return net of investment expenses by the target asset allocation percentage and by adding expected inflation. Following is a table presenting target allocations and geometric real rates of return for each asset class:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Weighted Average Long-Term Expected Real Rate of Return</u>
Domestic equity	30%	4.25-4.50%
Fixed income	25%	4.50-6.00%
International equity	20%	1.12-2.46%
Alternative investments	15%	4.86-7.90%
Real estate	10%	3.00%
Total	<u>100%</u>	

Discount Rate

The discount rate used to measure the collective pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. For purposes of the projection, member contributions and employer contributions are projected based on the expected payroll of current members only. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the collective pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Town's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the Town's proportionate share of the net pension liability

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the single discount rate:

	1% Decrease <u>(6.25%)</u>	Discount rate <u>(7.25%)</u>	1% Increase <u>(8.25%)</u>
Town's proportionate share of the net pension liability	\$ 4,058,805	\$ 3,031,128	\$ 2,181,761

NOTE 8—LANDFILL POSTCLOSURE CARE COSTS

State and federal laws and regulations require that the Town place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for a minimum of thirty years after closure. An estimated liability has been recorded based on the future postclosure care costs that will be incurred. The estimated liability for landfill postclosure care costs has a balance of \$180,000 as of December 31, 2019. The Town's landfill was capped during the year ending December 31, 1999. The estimated total current cost of the landfill postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor and maintain the landfill were acquired as of December 31, 2019. However, the actual cost of postclosure care may be higher due to inflation, changes in technology, or changes in landfill laws and regulations. The remaining post-closure care costs are expected to be financed through annual taxation.

The following is a summary of changes in the estimated liability for postclosure care costs for the year ended December 31, 2019:

Balance - January 1, 2019	\$ 180,000
Expenditures recognized in the General Fund	(10,500)
Change in estimated liability	<u>10,500</u>
Balance - December 31, 2019	<u>\$ 180,000</u>

NOTE 9—INTERFUND BALANCES AND TRANSFERS

The Town has combined the cash resources of its governmental and fiduciary funds. For accounting and reporting purposes, that portion of the pooled cash balance is reported in the specific fund as an interfund balance. Interfund balances at December 31, 2019 are as follows:

Due to	Due from	
	General	
	<u>Fund</u>	
Conservation Fund		\$ 163,100
Nonmajor Governmental Funds		<u>157,865</u>
		<u>\$ 320,965</u>

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

During the year, an interfund transaction occurred between funds. The transfer was made in accordance with budgetary authorization. Interfund transfers for the year ended December 31, 2019 are as follows:

	<u>Transfers in</u>	<u>Transfers out</u>
General Fund	\$ 43	
Nonmajor Governmental Funds:		
Permanent Funds		\$ 43
	<u>\$ 43</u>	<u>\$ 43</u>

NOTE 10—RESTRICTED NET POSITION

Net position of governmental activities is restricted for specific purposes at December 31, 2019 as follows:

Permanent Funds - Principal	\$ 102,053
Permanent Funds - Income	43,795
Library funds	62,698
	<u>\$ 208,546</u>

NOTE 11—COMPONENTS OF FUND BALANCE

The components of the Town's fund balance for its governmental funds at December 31, 2019 are as follows:

<u>Fund Balances</u>	<u>General Fund</u>	<u>Conservation Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
Nonspendable:				
Prepaid expenses	\$ 50,240			\$ 50,240
Permanent funds - Principal			\$ 102,053	102,053
Restricted for:				
Library funds	62,698			62,698
Permanent funds - Income			43,795	43,795
Committed for:				
Expendable trusts	162,016			162,016
Auburn development authority	21,005			21,005
Conservation		\$ 878,210		878,210
Police details			174,579	174,579
Recreation revolving fund			8,383	8,383
Assigned for:				
Subsequent year appropriations	148,000			148,000
Encumbrances	147,709			147,709
Unassigned:				
Unassigned - General operations	2,437,719			2,437,719
	<u>\$ 3,029,387</u>	<u>\$ 878,210</u>	<u>\$ 328,810</u>	<u>\$ 4,236,407</u>

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

NOTE 12—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$860,548,828 as of April 1, 2019) and are due in two installments on July 1, 2019 and December 2, 2019. Taxes paid after the due dates accrue interest at 8% per annum. Property taxes are recognized as revenue when received in cash or if available to finance current period operations (within sixty days of year-end).

Under State law, the Tax Collector obtains tax liens on properties which have unpaid taxes in the following calendar year after taxes were due for the amount of unpaid taxes, interest and costs. Priority tax liens obtained prior to April 1, 2019 accrue interest at 18% per annum. Priority tax liens obtained after April 1, 2019 accrue interest at 14% per annum. If the property is not redeemed within a two year redemption period, the property may be tax deeded to the Town.

In accordance with State law, the Town collects taxes for the Auburn School District and Rockingham County, both independent governmental units, which are remitted to them as required by law. The Town also collects State of New Hampshire Education taxes, which are remitted directly to the school district. Total taxes appropriated during the year were \$12,278,961 and \$781,399, for the Auburn School District and Rockingham County, respectively. These taxes are recognized in these financial statements within the fiduciary funds only. The Town bears responsibility for uncollected taxes.

NOTE 13—RISK MANAGEMENT

The Town is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the year ended December 31, 2019, the Town was a member of and participated in a public entity risk pool (Trust) for property and liability insurance and worker's compensation coverage. Coverage has not been significantly reduced from the prior year and settled claims have not exceeded coverage in any of the past three years.

The Trust agreements permit the Trust to make additional assessments to members should there be a deficiency in Trust assets to meet its liabilities. Accounting principles generally accepted in the United States of America require members of pools with a sharing of risk to determine whether or not such assessment is probable and, if so, a reasonable estimate of such assessment. At this time, the Trust foresees no likelihood of an additional assessment for any of the past years. Claims expenditures and liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. These losses include an estimate of claims that have been incurred but not reported. Based on the best available information there is no liability at December 31, 2019.

Property and Liability Insurance

The Trust provides certain property and liability insurance coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. As a member of the Trust, the Town shares in contributing to the cost of and receiving benefit from a self-insured pooled risk management program. The program includes a Self-Insured Retention Fund from which is paid up to \$200,000 for each and every covered property, crime and/or liability loss that exceeds \$1,000, up to an aggregate of \$1,200,000. Each property loss is subject to a \$1,000 deductible. All losses over the aggregate are covered by insurance policies.

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO BASIC FINANCIAL STATEMENTS (CONTINUED)
For the Year Ended December 31, 2019

Worker's Compensation

The Trust provides statutory worker's compensation coverage to member towns, cities, and other qualified political subdivisions of New Hampshire. The Trust is self-sustaining through annual member premiums and provides coverage for the statutorily required workers' compensation benefits and employer's liability coverage up to \$2,000,000. The program includes a Loss Fund from which is paid up to \$500,000 for each and every covered claim.

NOTE 14—CONTINGENCIES

Litigation

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

NOTE 15—RESTATEMENT OF EQUITY

During the year ended December 31, 2019, the Town adopted Governmental Accounting Standards Board (GASB) Statement No. 84 – *Fiduciary Activities*. The impact on fund balance of the General Fund as of January 1, 2019 is as follows:

	General <u>Fund</u>
Fund Balance - January 1, 2019 (as previously reported)	\$ 2,572,080
Amount of restatement due to:	
Implementation of GASB Statement 84	<u>144,970</u>
Fund Balance - January 1, 2019, as restated	<u>\$ 2,717,050</u>

The impact of the above restatement on net position of Fiduciary Funds as of January 1, 2019 is as follows:

	Fiduciary <u>Funds</u>
Net Position - January 1, 2019 (as previously reported)	\$ -
Amount of restatement due to:	
Implementation of GASB Statement 84	<u>586,981</u>
Net Position - January 1, 2019, as restated	<u>\$ 586,981</u>

SCHEDULE 1
TOWN OF AUBURN, NEW HAMPSHIRE
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual (Budgetary Basis) - General Fund
For the Year Ended December 31, 2019

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes	\$ 3,220,602	\$ 3,220,602	\$ 3,360,668	\$ 140,066
Licenses and permits	1,856,000	1,856,000	1,905,699	49,699
Intergovernmental	452,760	452,760	515,476	62,716
Charges for services	53,000	53,000	57,669	4,669
Interest income	20,000	20,000	54,085	34,085
Miscellaneous	10,000	10,000	22,307	12,307
Total Revenues	<u>5,612,362</u>	<u>5,612,362</u>	<u>5,915,904</u>	<u>303,542</u>
Expenditures:				
Current operations:				
General government	1,378,494	1,378,494	1,276,248	102,246
Public safety	1,963,712	1,963,712	1,901,315	62,397
Highways and streets	1,015,997	1,015,997	1,072,481	(56,484)
Sanitation	22,401	22,401	19,759	2,642
Health and welfare	51,251	51,251	39,016	12,235
Culture and recreation	132,367	132,367	123,919	8,448
Conservation	2,571	2,571	591	1,980
Capital outlay	862,242	862,242	920,132	(57,890)
Debt service:				
Principal retirement	1	1	-	1
Interest and fiscal charges	2	2	-	2
Total Expenditures	<u>5,429,038</u>	<u>5,429,038</u>	<u>5,353,461</u>	<u>75,577</u>
Excess revenues over (under) expenditures	<u>183,324</u>	<u>183,324</u>	<u>562,443</u>	<u>379,119</u>
Other financing sources (uses):				
Transfers out	<u>(293,324)</u>	<u>(293,324)</u>	<u>(288,276)</u>	<u>5,048</u>
Total Other financing sources (uses)	<u>(293,324)</u>	<u>(293,324)</u>	<u>(288,276)</u>	<u>5,048</u>
Net change in fund balance	(110,000)	(110,000)	274,167	384,167
Fund Balance at beginning of year				
- Budgetary Basis	<u>2,545,792</u>	<u>2,545,792</u>	<u>2,545,792</u>	<u>-</u>
Fund Balance at end of year				
- Budgetary Basis	<u>\$ 2,435,792</u>	<u>\$ 2,435,792</u>	<u>\$ 2,819,959</u>	<u>\$ 384,167</u>

See accompanying notes to the required supplementary information

SCHEDULE 2
TOWN OF AUBURN, NEW HAMPSHIRE
Schedule of Changes in the Town's Proportionate Share of the Net OPEB Liability
For the Year Ended December 31, 2019

<u>Measurement Period Ended</u>	Cost-Sharing Multiple Employer Plan Information Only				
	<u>Town's Proportion of the Net OPEB Liability</u>	<u>Town's Proportionate Share of the Net OPEB Liability</u>	<u>Town's Covered Payroll</u>	<u>Town's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability</u>
June 30, 2019	0.07961706%	\$ 349,050	\$ 1,359,651	25.67%	7.75%
June 30, 2018	0.07186720%	\$ 329,041	\$ 1,235,569	26.63%	7.53%
June 30, 2017	0.04424661%	\$ 202,311	\$ 1,126,540	17.96%	7.91%
June 30, 2016	0.04767485%	\$ 230,796	\$ 1,205,000	19.15%	5.21%

See accompanying notes to the required supplementary information

SCHEDULE 3
TOWN OF AUBURN, NEW HAMPSHIRE
 Schedule of Town OPEB Contributions
 For the Year Ended December 31, 2019

<u>Year Ended</u>	<u>Cost-Sharing Multiple Employer Plan Information Only</u>				
	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Town's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2019	\$ 33,801	\$ (33,801)	\$ -	\$ 1,352,517	2.50%
December 31, 2018	\$ 33,269	\$ (33,269)	\$ -	\$ 1,275,653	2.61%
December 31, 2017	\$ 29,094	\$ (29,094)	\$ -	\$ 1,184,358	2.46%
December 31, 2016	\$ 25,783	\$ (25,783)	\$ -	\$ 1,127,289	2.29%

See accompanying notes to the required supplementary information

SCHEDULE 4

TOWN OF AUBURN, NEW HAMPSHIRE

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

For the Year Ended December 31, 2019

<u>Measurement Period Ended</u>	<u>Town's Proportion of the Net Pension Liability</u>	<u>Town's Proportionate Share of the Net Pension Liability</u>	<u>Town's Covered Payroll</u>	<u>Town's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
June 30, 2019	0.06299554%	\$ 3,031,128	\$ 1,359,651	222.93%	65.59%
June 30, 2018	0.05795541%	\$ 2,790,670	\$ 1,235,569	225.86%	64.73%
June 30, 2017	0.05475219%	\$ 2,692,709	\$ 1,126,540	239.02%	62.66%
June 30, 2016	0.05948072%	\$ 3,162,944	\$ 1,205,000	262.48%	58.30%
June 30, 2015	0.05624891%	\$ 2,228,316	\$ 1,136,841	196.01%	65.47%
June 30, 2014	0.05487400%	\$ 2,059,870	\$ 1,070,004	192.51%	66.32%
June 30, 2013	0.05461320%	\$ 2,350,434	\$ 1,050,130	223.82%	59.81%

See accompanying notes to the required supplementary information

SCHEDULE 5
TOWN OF AUBURN, NEW HAMPSHIRE
Schedule of Town Pension Contributions
For the Year Ended December 31, 2019

<u>Year Ended</u>	<u>Contractually Required Contribution</u>	<u>Contributions in Relation to the Contractually Required Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Town's Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
December 31, 2019	\$ 266,888	\$ (266,888)	\$ -	\$ 1,352,517	19.73%
December 31, 2018	\$ 254,554	\$ (254,554)	\$ -	\$ 1,275,653	19.95%
December 31, 2017	\$ 223,326	\$ (223,326)	\$ -	\$ 1,184,358	18.86%
December 31, 2016	\$ 207,322	\$ (207,322)	\$ -	\$ 1,127,289	18.39%
December 31, 2015	\$ 197,818	\$ (197,818)	\$ -	\$ 1,155,134	17.13%
December 31, 2014	\$ 182,148	\$ (182,148)	\$ -	\$ 1,093,806	16.65%
December 31, 2013	\$ 154,765	\$ (154,765)	\$ -	\$ 1,047,696	14.77%

See accompanying notes to the required supplementary information

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
For the Year Ended December 31, 2019

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

Amounts recorded as budgetary amounts in the Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual (Budgetary Basis) – General Fund (Schedule 1) are reported on the basis budgeted by the Town. Those amounts differ from those reported in conformity with accounting principles generally accepted in the United States of America in the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds (Exhibit D). Property tax budgetary revenues are recognized when levied rather than when susceptible to accrual. Budgetary revenues and other financing sources and expenditures and other financing uses were adjusted for non-budgetary revenues and expenditures, non-budgetary transfers in, budgetary transfers out, encumbrances and proceeds from capital lease obligations as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 5,930,225	\$ 5,617,888
Difference in property taxes meeting susceptible to accrual criteria	12,900	
Non-budgetary revenues and expenditures	(13,123)	(280,194)
Non-budgetary transfers in	(43)	
Budgetary transfers out		288,276
Encumbrances - December 31, 2019		147,709
Encumbrances - December 31, 2018		(117,887)
Proceeds from capital lease obligations	(14,055)	(14,055)
Per Schedule 1	<u>\$ 5,915,904</u>	<u>\$ 5,641,737</u>

Major Special Revenue Fund

The Town adopts its budget under regulations of the New Hampshire Department of Revenue Administration which differs from accounting principles generally accepted in the United States of America. Consequently, budgetary information is not presented for the Conservation Fund as the information is neither practical nor meaningful.

TOWN OF AUBURN, NEW HAMPSHIRE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION (CONTINUED)
For the Year Ended December 31, 2019

NOTE 2—BUDGETARY FUND BALANCE

The components of the budgetary fund balance for the General Fund at December 31, 2019 are as follows:

<i>Nonspendable:</i>	
Prepaid expenses	\$ 50,240
<i>Committed for:</i>	
Auburn development authority	21,005
<i>Assigned for:</i>	
Designated to offset subsequent year appropriations	148,000
<i>Unassigned:</i>	
Unassigned - General operations	2,600,714
	<u>\$ 2,819,959</u>

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

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

NOTE 4—SCHEDULE OF CHANGES IN THE TOWN’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND SCHEDULE OF TOWN PENSION CONTRIBUTIONS

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

Changes in Actuarial Assumptions

For the June 30, 2015 actuarial valuation, the New Hampshire Retirement System reduced its assumption for the investment rate of return from 7.75% to 7.25%, decreased the price inflation from 3.0% to 2.5%, decreased the wage inflation from 3.75% to 3.25%, and decreased the salary increases from 5.8% to 5.6%. Additionally, the mortality table was changed from the RP-2000 projected to 2020 with Scale AA to the RP-2014 employee generational mortality table for males and females, adjusted for mortality improvements using Scale MP-2015.

SCHEDULE A
TOWN OF AUBURN, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2019

	Special Revenue Funds				
	Police Detail Fund	Recreation Revolving Fund	Total Special Revenue Funds	Permanent Funds	Combining Totals
ASSETS					
Cash and cash equivalents			*	\$ 145,848	\$ 145,848
Accounts receivable	\$ 25,097		\$ 25,097		25,097
Due from other funds	149,482	\$ 8,383	157,865		157,865
Total Assets	<u>174,579</u>	<u>8,383</u>	<u>182,962</u>	<u>145,848</u>	<u>328,810</u>
DEFERRED OUTFLOWS OF RESOURCES					
Total Deferred Outflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 174,579</u>	<u>\$ 8,383</u>	<u>\$ 182,962</u>	<u>\$ 145,848</u>	<u>\$ 328,810</u>
LIABILITIES					
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
DEFERRED INFLOWS OF RESOURCES					
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Nonspendable				102,053	102,053
Restricted				43,795	43,795
Committed	174,579	8,383	182,962		182,962
Total Fund Balances	<u>174,579</u>	<u>8,383</u>	<u>182,962</u>	<u>145,848</u>	<u>328,810</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 174,579</u>	<u>\$ 8,383</u>	<u>\$ 182,962</u>	<u>\$ 145,848</u>	<u>\$ 328,810</u>

SCHEDULE B
TOWN OF AUBURN, NEW HAMPSHIRE
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds - All Nonmajor Funds
For the Year Ended December 31, 2019

	Special Revenue Funds			Permanent Funds	Combining Totals
	Police Detail Fund	Recreation Revolving Fund	Total Special Revenue Funds		
Revenues:					
Charges for services	\$ 137,527		\$ 137,527		\$ 137,527
Interest and investment income				\$ 2,475	2,475
Miscellaneous		\$ 27,229	27,229		27,229
Total Revenues	<u>137,527</u>	<u>27,229</u>	<u>164,756</u>	<u>2,475</u>	<u>167,231</u>
Expenditures:					
Current operations:					
Public safety	137,692		137,692		137,692
Culture and recreation		19,967	19,967		19,967
Total Expenditures	<u>137,692</u>	<u>19,967</u>	<u>157,659</u>	<u>-</u>	<u>157,659</u>
Excess revenues over (under) expenditures	<u>(165)</u>	<u>7,262</u>	<u>7,097</u>	<u>2,475</u>	<u>9,572</u>
Other financing sources (uses):					
Transfers out				(43)	(43)
Total Other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(43)</u>	<u>(43)</u>
Net change in fund balances	(165)	7,262	7,097	2,432	9,529
Fund Balances at beginning of year	<u>174,744</u>	<u>1,121</u>	<u>175,865</u>	<u>143,416</u>	<u>319,281</u>
Fund Balances at end of year	<u>\$ 174,579</u>	<u>\$ 8,383</u>	<u>\$ 182,962</u>	<u>\$ 145,848</u>	<u>\$ 328,810</u>