

TOWN OF CANAAN, NEW HAMPSHIRE

Financial Statements

December 31, 2019

and

Independent Auditor's Report

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

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INDEPENDENT AUDITOR'S REPORT

To the Board of Selectmen
Town of Canaan, New Hampshire

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Canaan, New Hampshire as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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, Business-Type Activities, Water Fund and Sewer Fund

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 postemployment benefits plan in governmental activities, business-type activities, water fund and sewer fund, and, accordingly, has not recorded an expense for the current period change. Accounting principles generally accepted in the United States of America require that other postemployment 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 and deferred inflows of resources, reduce the net position, and change the expenses of the governmental activities, business-type activities, water fund, and sewer fund. The amount by which this departure would affect the liabilities, deferred outflows and deferred inflows of resources, net position, and expenses of the governmental activities, business-type activities, water fund, and sewer fund is not reasonably determinable.

Adverse Opinions

In our opinion, because of the significance of the matter described in the "Basis for Adverse Opinion on Governmental Activities, Business-Type Activities, Water Fund and Sewer Fund" paragraph, the financial statements referred to above do not present fairly the financial position of the governmental activities, business-type activities, water fund, and sewer fund of the Town of Canaan, New Hampshire, as of December 31, 2019, or the changes in financial position and cash flows, where applicable, 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 other than the water fund and sewer fund, and the aggregate remaining fund information of the Town of Canaan, 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-ix and 36-42 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 Canaan, 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
January 28, 2021

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2019

Presented herewith please find the Management Discussion & Analysis Report for the Town of Canaan for the year ending December 31, 2019. The responsibility for accuracy of the data, the completeness and fairness of this documentation (including all disclosures) rests with management. To the best of our knowledge and belief, the data contained herein is accurate in material aspects. This report and its content have been designed to fairly present the Town's financial position, including the result of operations of all the funds of the Town. All the disclosures necessary to enable and to assist the reader in acquiring an accurate understanding of the Town's financial activities have been included.

The Town's management is responsible for establishing accounting and internal control structures designed to ensure that the physical, data, informational, intellectual, and human resource assets of the Town are protected from loss, theft and misuse, and to ensure that adequate accounting information is maintained and reported in conformity with generally accepted accounting principles (GAAP). Management also strives to ensure that these assets are put to good and effective use. The internal control structure is designed to provide reasonable assurances that these objectives are attained.

Overview of the Financial Statements

The financial statements presented herein include all of the activities of the Town of Canaan using the integrated approach as prescribed by GASB Statement 34.

This discussion and analysis is intended to serve as an introduction to the Town of Canaan's financial statements. The basic financial statements comprise three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the basic financial statements

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Town's finances, in a manner similar to most private-sector companies. These statements (Statement of Net Position and the Statement of Activities) provide both short-term and long-term information about the Town's overall financial position. These statements are prepared using the accrual basis of accounting.

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

The Statement of Activities presents information showing how the Town's net position changed during the most recent year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future periods (such as uncollected taxes and interest on long-term obligations).

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2019

Both of the government-wide financial statements have separate sections for two types of activities:

Governmental activities – represent most of the Town's basic services.

Business-type activities – account for the Town's water and sewer operations and receive a majority of their revenue from user fees.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain the control over resources that have been segregated for specific activities or objectives. The Town uses fund accounting to ensure and to demonstrate compliance with finance-related legal requirements. The Town maintains three fund types: governmental, proprietary, and fiduciary funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Town's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, our readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental activities statement of net position and statement of activities.

The Town maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and the statement of revenues, expenditures and changes in fund balances for the General Fund and the Permanent Funds which are considered major funds. Other governmental funds are aggregated as nonmajor funds.

The Town adopts an annual budget for its governmental funds. A budgetary comparison has been provided for the General Fund to demonstrate compliance with this budget.

Proprietary funds provide water and sewer services to customers and charge a user fee. They are presented on the accrual basis of accounting.

Fiduciary funds are used to account for resources held for the benefit of parties outside of town government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the Town's programs.

Notes to the Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2019

Required Supplementary Information

The basic financial statements and accompanying notes are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the Town's major governmental fund and includes a reconciliation between the reported activity of the General Fund's revenues, expenditures and transfers for budgetary purposes (Schedule 1) and the activity as presented in the governmental fund financial statements (Exhibit D). The Town's major governmental fund during 2016 with an adopted budget is the General Fund.

Other Supplementary Information

Other supplemental information includes combining financial statements for nonmajor governmental funds.

Government-Wide Financial Analysis

Governmental Activities

Statement of Net Position

Net position of the Town of Canaan's governmental activities as of December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Capital and other assets:		
Capital assets	\$ 3,968,962	\$ 3,665,013
Other assets	<u>3,050,586</u>	<u>7,197,912</u>
Total assets	<u>7,019,548</u>	<u>10,862,925</u>
Deferred outflows related to OPEB	8,997	22,887
Deferred outflows related to pension	<u>206,491</u>	<u>308,245</u>
Total deferred outflows of resources	<u>215,488</u>	<u>331,132</u>
Long-term and other liabilities:		
Long-term liabilities	1,919,533	1,946,713
Other liabilities	<u>631,696</u>	<u>4,435,875</u>
Total liabilities	<u>2,551,229</u>	<u>6,382,588</u>
Taxes collected in advance	10,542	
Deferred inflows related to OPEB	1,682	595
Deferred inflows related to pension	<u>83,589</u>	<u>71,748</u>
Total deferred inflows of resources	<u>95,813</u>	<u>72,343</u>
Net position:		
Net investment in capital assets	3,968,962	3,665,013
Restricted	914,449	821,494
Unrestricted	<u>(295,417)</u>	<u>252,619</u>
Total net position	<u>\$ 4,587,994</u>	<u>\$ 4,739,126</u>

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2019

Approximately 86.5% of the Town's net position reflects the investment in capital assets such as land, buildings, infrastructure, and equipment less the outstanding debt used to acquire those assets. Another 19.9% of the net position is restricted in regards to how it may be used. For the Town of Canaan, those restrictions include those related to permanent trust funds and the unexpended balance of restricted grants and donations. The remaining unrestricted portion represents the part of net position available to finance day-to-day operations.

Statement of Activities

Changes in net position of the Town's governmental activities for the years ending December 31, 2019 and 2018 are as follows:

	<u>2019</u>	<u>2018</u>
Program revenues:		
Charges for services	\$ 358,874	\$ 136,671
Operating grants and contributions	245,512	358,127
Capital grants and contributions	22,289	
Total program revenues	<u>626,675</u>	<u>494,798</u>
General revenues:		
Property and other taxes	2,584,197	2,446,207
Licenses and permits	788,580	780,087
Intergovernmental revenue	201,906	202,158
Interest and investment earnings	118,749	79
Miscellaneous	150,071	23,211
Total general revenues	<u>3,843,503</u>	<u>3,451,742</u>
Total revenues	<u>4,470,178</u>	<u>3,946,540</u>
Program expenses:		
General government	1,572,777	1,300,217
Public safety	1,389,905	1,168,218
Highways and streets	1,102,266	1,014,722
Sanitation	221,651	212,097
Health and welfare	117,407	132,919
Culture and recreation	299,630	293,752
Conservation	-	-
Economic development	6,031	6,032
Total expenses	<u>4,709,667</u>	<u>4,127,957</u>
Change in net position before gain on disposal of capital assets and contributions	(239,489)	(181,417)
Gain on disposal of capital asset	14,000	15,000
Contributions to permanent fund principal	<u>3,000</u>	<u>1,750</u>
Change in net position	(222,489)	(164,667)
Net position at beginning of year	<u>4,739,126</u>	<u>4,903,793</u>
Net position at end of year	<u>\$ 4,516,637</u>	<u>\$ 4,739,126</u>

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2019

As shown in the above statement the Town's governmental activities experienced a decrease in financial position of \$222,489 on the full accrual basis of accounting.

Business-Type Activities

Statement of Net Position

Net position of the business-type activities as of December 31, 2019 and 2018 is as follows:

	<u>2019</u>	<u>2018</u>
Capital and other assets:		
Capital assets	\$ 2,911,603	\$ 3,034,637
Other assets	<u>118,982</u>	<u>110,525</u>
Total assets	<u>3,030,585</u>	<u>3,145,162</u>
Deferred outflows related to OPEB	310	774
Deferred outflows related to pension	<u>7,114</u>	<u>10,436</u>
Total deferred outflows of resources	<u>7,424</u>	<u>11,210</u>
Long-term and other liabilities:		
Long-term liabilities	66,144	65,906
Other liabilities	<u>5,908</u>	<u>6,410</u>
Total liabilities	<u>72,052</u>	<u>72,316</u>
Deferred inflows related to OPEB	58	20
Deferred inflows related to pension	<u>2,880</u>	<u>2,428</u>
Total deferred inflows of resources	<u>2,938</u>	<u>2,448</u>
Net position:		
Net investment in capital assets	2,911,603	3,034,637
Unrestricted	<u>51,416</u>	<u>46,971</u>
Total net position	<u>\$ 2,963,019</u>	<u>\$ 3,081,608</u>

The largest portion of the Town's net position for its business-type activities reflects its investment in capital assets, primarily utility plant in service and equipment less any related outstanding debt used to acquire those assets. These assets are not available for future spending.

Statement of Activities

Changes in net position of the Town's business-type activities for the years ending December 31, 2019 and 2018 are as follows:

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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	<u>2019</u>	<u>2018</u>
Program revenues:		
Charges for services	\$ 158,949	\$ 146,931
Total program revenues	<u>158,949</u>	<u>146,931</u>
General revenues:		
Interest and investment earnings	<u>61</u>	<u>52</u>
Total general revenues	<u>61</u>	<u>52</u>
Total revenues	<u>159,010</u>	<u>146,983</u>
Program expenses:		
Water	121,885	116,418
Sewer	<u>155,714</u>	<u>148,363</u>
Total expenses	<u>277,599</u>	<u>264,781</u>
Change in net position	(118,589)	(117,798)
Net position at beginning of year	<u>3,081,608</u>	<u>3,199,406</u>
Net position at end of year	<u>\$ 2,963,019</u>	<u>\$ 3,081,608</u>

The main funding source for business-type activities is charges for services, which provided 57.3.% and 55.5% of expenses in 2019 and 2018, respectively. Overall, there was a decrease of \$118,589 in the net position.

Financial Analysis of the Town's Funds

As noted previously, the Town uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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

General Fund

The General Fund is the main operating fund of the Town. At the end of the current year, the General Fund had a deficit unassigned fund balance of (\$105,522). Additional fund balance components at year end amounted to \$1,209,923 and are detailed on pages 32 and 33 of the Notes to the Basic Financial Statements.

The total General Fund balance decreased \$496,102 from December 31, 2018. A decrease in fund balance was anticipated as \$380,000 of the prior year fund balance was appropriated to fund 2019 warrant articles. Additionally, the Town had emergency appropriations approved by the New Hampshire Department of Revenue Administration of \$584,028, which were funded by fund balance.

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Permanent Funds

Permanent funds account for resources that are legally restricted to the extent that only earnings and not principal may be used for purposes that support the Town's programs. At December 31, 2019, the balance of \$515,640 was nonspendable and \$262,395 was restricted. The total fund balance in the permanent funds increased \$56,587 from the prior year.

Other Governmental Funds

The total fund balance of \$343,681 in the other governmental funds is committed for the purposes of the individually established fund. The largest portion of this total represents the balance in the Conservation Fund, Police Details Fund, Ambulance Revolving Fund and the Expendable Trust Funds.

Proprietary Funds

The focus of the Town's proprietary funds is on total economic resources, and changes to net position, much as it might be for a private-sector business.

The Town's proprietary funds had a combined unrestricted net position of \$51,416 at December 31, 2019. Charges for services for water and sewer operations covered 57.3% of operating expenses. The water fund and sewer fund experienced a decrease in net position of \$54,901 and \$63,688, respectively.

Capital Assets and Long-term Obligations

Capital Assets

The Town of Canaan considers a capital asset to be an asset whose costs exceed or equal \$10,000 and has a useful life of greater than one year. Assets are depreciated using the straight-line method over the course of their useful life. See Note 4 to the basic financial statements for a complete schedule of capital asset activity for the year.

Long-Term Obligations

During 2019, the liability for the Town's proportionate share of the New Hampshire Retirement System's unfunded pension liability decreased by \$27,180 in the governmental activities and increased by \$238 in the business-type activities. The Town's proportionate share of the New Hampshire Retirement System's unfunded OPEB liability decreased by \$18,860 in the governmental activities and \$538 in the business-type activities

See Notes 6 and 7 in the notes to the basic financial statements for additional information on the OPEB and pension liabilities of the Town.

Budgetary Highlights

Budgetary information for the General Fund (a major governmental fund) is included in the Required Supplementary Information section.

TOWN OF CANAAN, NEW HAMPSHIRE
MANAGEMENT'S DISCUSSION AND ANALYSIS
Year Ending December 31, 2019

Actual revenues and transfers in on the budgetary basis were lower than the budgeted amount by \$38,612. This unfavorable variance represents approximately .9% of the estimated revenues projected when the property tax rate was established.

The Town underexpended its budgeted appropriations by \$149,145. Demonstrating fiscal restraint, town officials were able to manage the town's business under budget. Detailed budgetary results may be found in Schedule 1 in the financial statements.

Economic Factors

The Town tax rate increased by 3.6% last year. That rate increase was 26 cents per thousand or \$52 on a \$200,000 house. During the past 10 years, the Town has reorganized Town services to reduce costs to the taxpayers. The Town tax rate decreased from \$7.31 in 2007 to a low of \$6.21 in 2008. The rate in 2020 was \$7.51 or 3% higher than the rate in 2007; 13 years ago. The Town cost reduction efforts paid off and kept the tax rate relatively flat but all of those changes to service delivery have been implemented and there are fewer and fewer cost savings measures that can be found.

The primary reasons for increased cost in 2020 were debt service \$73,000 (first time since 2015), fuel \$20,000, police wages \$31,000, police equipment \$16,000, salt \$25,000, prosecutions \$12,000, fire equipment \$12,000, and fire payroll \$10,000. Total increases equaled about \$260,000. There were offsetting decreases of about \$56,000.

The School tax rate increased slightly by about 6.2% or \$268 on a home assessed at \$200,000. This significant increase was not caused by a similar increase in the school budget but rather because we have a growing school age population which puts more of the school cost on Canaan tax payers.

A major concern we had in 2020 was whether Covid-19 would prevent people from paying their taxes and result in a major increase in delinquent taxes. The amount of uncollected property taxes at year end increased from \$939,717 in 2019 to \$967,602 at the end of 2020. The increase in actual total delinquencies was 3% and delinquencies were 8% of the total taxes raised in 2020.

The Town now has debt of \$268,000 which is being paid off over the next four years. This is related to a court settlement with FairPoint over assessed valuations. We are paying this debt down by \$66,000 a year.

We are currently facing three issues which may impact taxpayers.

Village taxpayers are facing the need to replace a water main from Canaan Street Lake to Canaan Village. The cost is \$1.2 million dollars. The State has indicated that they will not assist with grants unless we agree to raise water rates to cover part of the replacement costs. To that end, they have offered us a 20 year loan of \$500,000 that will increase user fees by 23%. We have also determined that we have to increase our manpower for the water and sewer system by two days a week. That will increase our rates by another 15%. We will continue to look for grants that will lessen the impact on water and sewer users, but the average home with 4 people will see their water and sewer bill increase by \$400 per year.

The second major issue is the flood mitigation project for the Village. This project will replace a total of five bridges between 2021 and 2025 and cost \$5.4 million dollars. Three of the bridges are existing Town

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MANAGEMENT'S DISCUSSION AND ANALYSIS
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bridges. Using DOT and US Economic Development Administration funds, Canaan's share will be \$518,000 with all of the money coming from Canaan Bridge Capital Reserve and reimbursement funds from FEMA on the 2019 flood. We do not anticipate any new tax dollars being raised for this project.

The third issue is the replacement of senior management in the Town over the next three years. Four Department heads are expected to retire by 2023 and we are trying to implement a transition plan. All of these managers use highly specialized skills and knowledge to manage their Departments and it is critical that the Town secures competent management. This transition may add as much as \$100,000 in transition costs for one fiscal year.

Contacting the Town of Canaan's Financial Management

This financial report is to provide our citizens and creditors with a general overview of the Town's finances and to show a measure of accountability for the money it receives. If you have any questions about this report or need to get additional information, contact the Board of Selectmen at, PO Box 38, Canaan, NH 03741, telephone number 603-523-4501 x 5.

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

	Primary Government		
	Governmental	Business-Type	
	<u>Activities</u>	<u>Activities</u>	<u>Total</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 520,918	\$ 95,410	\$ 616,328
Investments	1,849,147	2,895	1,852,042
Taxes receivable, net	468,471		468,471
Accounts receivable, net	81,320	3,658	84,978
Unbilled charges for services		37,038	37,038
Due from other governments	41,002		41,002
Internal balances	20,019	(20,019)	-
Prepaid expenses	21,111		21,111
Tax dedeed property	43,076		43,076
Total Current Assets	<u>3,045,064</u>	<u>118,982</u>	<u>3,164,046</u>
Noncurrent Assets:			
Due from other governments	5,522		5,522
Capital assets:			
Non-depreciable capital assets	620,077	245,981	866,058
Depreciable capital assets, net	<u>3,348,885</u>	<u>2,665,622</u>	<u>6,014,507</u>
Total Noncurrent Assets	<u>3,974,484</u>	<u>2,911,603</u>	<u>6,886,087</u>
Total Assets	<u>7,019,548</u>	<u>3,030,585</u>	<u>10,050,133</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB	8,997	310	9,307
Deferred outflows related to pension	<u>206,491</u>	<u>7,114</u>	<u>213,605</u>
Total Deferred Outflows of Resources	<u>215,488</u>	<u>7,424</u>	<u>222,912</u>
LIABILITIES			
Current Liabilities:			
Accounts payable	89,207		89,207
Accrued expenses	11,535	108	11,643
Tax anticipation note payable	<u>334,000</u>		<u>334,000</u>
Total Current Liabilities	<u>434,742</u>	<u>108</u>	<u>434,850</u>
Noncurrent Liabilities:			
Compensated absences payable	28,613		28,613
OPEB liability	168,341	5,800	174,141
Net pension liability	<u>1,919,533</u>	<u>66,144</u>	<u>1,985,677</u>
Total Noncurrent Liabilities	<u>2,116,487</u>	<u>71,944</u>	<u>2,188,431</u>
Total Liabilities	<u>2,551,229</u>	<u>72,052</u>	<u>2,623,281</u>
DEFERRED INFLOWS OF RESOURCES			
Taxes collected in advance	10,542		10,542
Deferred inflows related to OPEB	1,682	58	1,740
Deferred inflows related to pension	<u>83,589</u>	<u>2,880</u>	<u>86,469</u>
Total Deferred Inflows of Resources	<u>95,813</u>	<u>2,938</u>	<u>98,751</u>
NET POSITION			
Net investment in capital assets	3,968,962	2,911,603	6,880,565
Restricted	914,449		914,449
Unrestricted (deficit)	<u>(295,417)</u>	<u>51,416</u>	<u>(244,001)</u>
Total Net Position	<u>\$ 4,587,994</u>	<u>\$ 2,963,019</u>	<u>\$ 7,551,013</u>

See accompanying notes to the basic financial statements

EXHIBIT B
TOWN OF CANAAN, 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>Total</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Governmental Activities:							
General government	\$ 1,572,777	\$ 1,589			\$ (1,571,188)		\$ (1,571,188)
Public safety	1,389,905	247,853	\$ 82,027	\$ 22,289	(1,037,736)		(1,037,736)
Highways and streets	1,102,266		163,485		(938,781)		(938,781)
Sanitation	221,651	33,245			(188,406)		(188,406)
Health and welfare	117,407	500			(116,907)		(116,907)
Culture and recreation	299,630	75,687			(223,943)		(223,943)
Economic development	6,031				(6,031)		(6,031)
Total governmental activities	<u>4,709,667</u>	<u>358,874</u>	<u>245,512</u>	<u>22,289</u>	<u>(4,082,992)</u>	<u>\$ -</u>	<u>(4,082,992)</u>
Business-type Activities:							
Water	121,885	66,923				(54,962)	(54,962)
Sewer	155,714	92,026				(63,688)	(63,688)
Total business-type activities	<u>277,599</u>	<u>158,949</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(118,650)</u>	<u>(118,650)</u>
Total primary government	<u>\$ 4,987,266</u>	<u>\$ 517,823</u>	<u>\$ 245,512</u>	<u>\$ 22,289</u>	<u>(4,082,992)</u>	<u>(118,650)</u>	<u>(4,201,642)</u>
General revenues:							
Property and other taxes					2,584,197		2,584,197
Licenses and permits					788,580		788,580
Grants and contributions:							
State shared revenues					71,357		71,357
Rooms and meals tax distribution					201,730		201,730
State and federal forest land					176		176
Interest and investment income					118,749	61	118,810
Miscellaneous					150,071		150,071
Net gain on disposal of capital assets					14,000		14,000
Contributions to permanent fund principal					3,000		3,000
Total general revenues, contributions to permanent fund principal and gain on disposal of asset					<u>3,931,860</u>	<u>61</u>	<u>3,931,921</u>
Change in net position					(151,132)	(118,589)	(269,721)
Net Position at beginning of year					4,739,126	3,081,608	7,820,734
Net Position at end of year					<u>\$ 4,587,994</u>	<u>\$ 2,963,019</u>	<u>\$ 7,551,013</u>

See accompanying notes to the basic financial statements

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

	General <u>Fund</u>	Permanent <u>Funds</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
ASSETS				
Cash and cash equivalents	\$ 396,056		\$ 124,862	\$ 520,918
Investments	902,714	\$ 778,035	168,398	1,849,147
Taxes receivable, net	468,471			468,471
Accounts receivable, net			81,320	81,320
Due from other governments	41,002			41,002
Due from other funds	55,676		4,758	60,434
Prepaid expenses	21,111			21,111
Tax deeded property	43,076			43,076
Total Assets	<u>1,928,106</u>	<u>778,035</u>	<u>379,338</u>	<u>3,085,479</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>\$ 1,928,106</u>	<u>\$ 778,035</u>	<u>\$ 379,338</u>	<u>\$ 3,085,479</u>
LIABILITIES				
Accounts payable	\$ 89,207			\$ 89,207
Accrued expenses	11,535			11,535
Due to other funds	4,758		\$ 35,657	40,415
Tax anticipation note payable	334,000			334,000
Total Liabilities	<u>439,500</u>	<u>\$ -</u>	<u>35,657</u>	<u>475,157</u>
DEFERRED INFLOWS OF RESOURCES				
Uncollected land use taxes	2,572			2,572
Uncollected property taxes	371,091			371,091
Taxes collected in advance	10,542			10,542
Total Deferred Inflows of Resources	<u>384,205</u>	<u>-</u>	<u>-</u>	<u>384,205</u>
FUND BALANCES				
Nonspendable	64,187	515,640		579,827
Restricted	136,414	262,395		398,809
Committed	1,009,322		343,681	1,353,003
Unassigned (deficit)	(105,522)			(105,522)
Total Fund Balances	<u>1,104,401</u>	<u>778,035</u>	<u>343,681</u>	<u>2,226,117</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 1,928,106</u>	<u>\$ 778,035</u>	<u>\$ 379,338</u>	<u>\$ 3,085,479</u>

See accompanying notes to the basic financial statements

EXHIBIT C-1
TOWN OF CANAAN, 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)	\$ 2,226,117
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.	3,968,962
Taxes are recognized on an accrual basis in the statement of net position, not the modified accrual basis.	373,663
The long-term state aid grant receivable is recognized on an accrual basis in the statement of net position, not the modified accrual basis.	5,522
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	8,997
Deferred outflows of resources related to net pension liability	206,491
Deferred inflows of resources related to OPEB	(1,682)
Deferred inflows of resources related to net pension liability	(83,589)
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:	
Compensated absences payable	(28,613)
OPEB liability	(168,341)
Net pension liability	<u>(1,919,533)</u>
Net Position of Governmental Activities (Exhibit A)	<u>\$ 4,587,994</u>

See accompanying notes to the basic financial statements

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

	General <u>Fund</u>	Permanent <u>Funds</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Revenues:				
Taxes	\$ 2,644,697		\$ 5,000	\$ 2,649,697
Licenses and permits	788,580			788,580
Intergovernmental	518,635		140	518,775
Charges for services	50,325		308,549	358,874
Interest and investment income	27,983	\$ 79,547	11,219	118,749
Miscellaneous	118,731	3,000	31,340	153,071
Total Revenues	<u>4,148,951</u>	<u>82,547</u>	<u>356,248</u>	<u>4,587,746</u>
Expenditures:				
Current operations:				
General government	1,537,959	8,022	225	1,546,206
Public safety	1,145,441		133,847	1,279,288
Highways and streets	877,824			877,824
Sanitation	208,486			208,486
Health and welfare	117,407			117,407
Culture and recreation	185,879		82,082	267,961
Capital outlay	589,995			589,995
Total Expenditures	<u>4,662,991</u>	<u>8,022</u>	<u>216,154</u>	<u>4,887,167</u>
Excess revenues over (under) expenditures	<u>(514,040)</u>	<u>74,525</u>	<u>140,094</u>	<u>(299,421)</u>
Other financing sources (uses):				
Transfers in	17,938			17,938
Transfers out		(17,938)		(17,938)
Total Other financing sources (uses)	<u>17,938</u>	<u>(17,938)</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(496,102)	56,587	140,094	(299,421)
Fund Balances at beginning of year, as restated	<u>1,600,503</u>	<u>721,448</u>	<u>203,587</u>	<u>2,525,538</u>
Fund Balances at end of year	<u>\$ 1,104,401</u>	<u>\$ 778,035</u>	<u>\$ 343,681</u>	<u>\$ 2,226,117</u>

See accompanying notes to the basic financial statements

EXHIBIT D-1

TOWN OF CANAAN, 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)	\$ (299,421)
Amounts reported for governmental activities in the statement of activities are different because:	
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(43,211)
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.	267,660
Governmental funds only report the disposal of assets to the extent proceeds are received from the disposal. In the statement of activities, a gain or loss is reported for each disposal. This is the amount of the gain on disposed capital assets reduced by the actual proceeds received on the disposal.	14,000
Some expenses reported in the statement of activities, such as compensated absences, do not do not require the use of current financial resources, and therefore, are not reported as expenditures in governmental funds.	(7,628)
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	3,883
Net changes in pension	<u>(86,415)</u>
Change in Net Position of Governmental Activities (Exhibit B)	<u>\$ (151,132)</u>

See accompanying notes to the basic financial statements

EXHIBIT E
TOWN OF CANAAN, NEW HAMPSHIRE
Statement of Net Position
Proprietary Funds
December 31, 2019

	Business-type Activities		
	Water	Sewer	
	<u>Fund</u>	<u>Fund</u>	<u>Totals</u>
ASSETS			
Current Assets:			
Cash and cash equivalents	\$ 21,653	\$ 73,757	\$ 95,410
Investments	2,895		2,895
Accounts receivable	2,085	1,573	3,658
Unbilled charges for services	18,224	18,814	37,038
Due from other funds	118,804		118,804
Total Current Assets	<u>163,661</u>	<u>94,144</u>	<u>257,805</u>
Noncurrent Assets:			
Capital assets:			
Non-depreciable capital assets		245,981	245,981
Depreciable capital assets, net	858,639	1,806,983	2,665,622
Total Noncurrent Assets	<u>858,639</u>	<u>2,052,964</u>	<u>2,911,603</u>
Total Assets	<u>1,022,300</u>	<u>2,147,108</u>	<u>3,169,408</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows related to OPEB	155	155	310
Deferred outflows related to pension	<u>3,557</u>	<u>3,557</u>	<u>7,114</u>
Total Deferred Outflows of Resources	<u>3,712</u>	<u>3,712</u>	<u>7,424</u>
LIABILITIES			
Current Liabilities:			
Accrued expenses	84	24	108
Due to other funds	<u>10,557</u>	<u>128,266</u>	<u>138,823</u>
Total Current Liabilities	<u>10,641</u>	<u>128,290</u>	<u>138,931</u>
Noncurrent Liabilities:			
OPEB liability	2,900	2,900	5,800
Net pension liability	<u>33,073</u>	<u>33,071</u>	<u>66,144</u>
Total Noncurrent Liabilities	<u>35,973</u>	<u>35,971</u>	<u>71,944</u>
Total Liabilities	<u>46,614</u>	<u>164,261</u>	<u>210,875</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred inflows related to OPEB liability	29	29	58
Deferred inflows related to pension	<u>1,440</u>	<u>1,440</u>	<u>2,880</u>
Total Deferred Inflows of Resources	<u>1,469</u>	<u>1,469</u>	<u>2,938</u>
NET POSITION			
Net investment in capital assets	858,639	2,052,964	2,911,603
Unrestricted (deficit)	<u>119,290</u>	<u>(67,874)</u>	<u>51,416</u>
Total Net Position	<u>\$ 977,929</u>	<u>\$ 1,985,090</u>	<u>\$ 2,963,019</u>

See accompanying notes to the basic financial statements

EXHIBIT F
TOWN OF CANAAN, NEW HAMPSHIRE
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities		
	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Totals</u>
Operating revenues:			
Charges for services	\$ 66,923	\$ 92,026	\$ 158,949
Total Operating revenues	<u>66,923</u>	<u>92,026</u>	<u>158,949</u>
Operating expenses:			
Personnel services	46,356	46,593	92,949
Contractual services	10,048	678	10,726
Repairs and maintenance	8,640	8,410	17,050
Materials and supplies	4,325	1,114	5,439
Utilities	8,732	19,437	28,169
Depreciation	43,784	79,250	123,034
Miscellaneous		232	232
Total Operating expenses	<u>121,885</u>	<u>155,714</u>	<u>277,599</u>
Operating loss	<u>(54,962)</u>	<u>(63,688)</u>	<u>(118,650)</u>
Non-operating revenues and (expenses):			
Interest revenue	<u>61</u>	<u></u>	<u>61</u>
Net Non-operating revenues and (expenses)	<u>61</u>	<u>-</u>	<u>61</u>
Change in net position	(54,901)	(63,688)	(118,589)
Net Position at beginning of year	<u>1,032,830</u>	<u>2,048,778</u>	<u>3,081,608</u>
Net Position at end of year	<u>\$ 977,929</u>	<u>\$ 1,985,090</u>	<u>\$ 2,963,019</u>

See accompanying notes to the basic financial statements

EXHIBIT G
TOWN OF CANAAN, NEW HAMPSHIRE
Statement of Cash Flows
Proprietary Funds
For the Year Ended December 31, 2019

	Business-type Activities		
	Water	Sewer	
	<u>Department</u>	<u>Department</u>	<u>Totals</u>
Cash flows from operating activities:			
Cash received from customers	\$ 64,618	\$ 89,343	\$ 153,961
Cash paid to suppliers	(46,937)	(45,352)	(92,289)
Cash paid to employees	(29,132)	(29,132)	(58,264)
Net cash provided (used) by operating activities	<u>(11,451)</u>	<u>14,859</u>	<u>3,408</u>
Net increase (decrease) in cash and cash equivalents	(11,451)	14,859	3,408
Cash and cash equivalents (deficiency) at beginning of year	<u>141,351</u>	<u>(69,368)</u>	<u>71,983</u>
Cash and cash equivalents (deficiency) at end of year	<u>\$ 129,900</u>	<u>\$ (54,509)</u>	<u>\$ 75,391</u>
Reconciliation of operating loss to net cash provided (used) by operating activities:			
Operating loss	\$ (54,962)	\$ (63,688)	\$ (118,650)
Adjustments to reconcile operating loss to net cash provided (used) by operating activities:			
Depreciation expense	43,784	79,250	123,034
Change in deferred outflows related to OPEB	232	232	464
Change in deferred outflows related to pension	1,661	1,661	3,322
Change in deferred inflows related to OPEB	19	19	38
Change in deferred inflows related to pension	226	226	452
Changes in assets and liabilities:			
Accounts receivable	(346)	(113)	(459)
Unbilled charges for services	(1,959)	(2,570)	(4,529)
Accrued expenses	43	(7)	36
OPEB liability	(269)	(269)	(538)
Net pension liability	120	118	238
Net cash provided (used) by operating activities	<u>\$ (11,451)</u>	<u>\$ 14,859</u>	<u>\$ 3,408</u>

See accompanying notes to the basic financial statements

EXHIBIT H
TOWN OF CANAAN, NEW HAMPSHIRE
Statement of Fiduciary Net Position
Fiduciary Funds
December 31, 2019

	Private- Purpose <u>Trust Funds</u>	Custodial <u>Funds</u>
ASSETS		
Cash and cash equivalents		\$ 3,710,897
Investments	\$ 44,214	990,575
Taxes receivable		413,105
Total Assets	<u>44,214</u>	<u>5,114,577</u>
LIABILITIES		
Due to other governments		4,124,002
Total Liabilities	<u>-</u>	<u>4,124,002</u>
NET POSITION		
Restricted for:		
Individuals, organizations, and other governments	44,214	990,575
Total Net Position	<u>\$ 44,214</u>	<u>\$ 990,575</u>

See accompanying notes to the basic financial statements

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

	Private- Purpose <u>Trust Funds</u>	Custodial <u>Funds</u>
ADDITIONS:		
Contributions:		
Bequests		\$ 2,552
Total Contributions	\$ -	2,552
Investment Earnings:		
Interest income	1,147	19,510
Realized gains on investments	2,110	704
Net increase in the fair value of investments	1,586	11,252
Total Investment Earnings	4,843	31,466
Less: Investment expense	(299)	(4,681)
Net Investment Earnings	4,544	26,785
Property tax collections for other governments		8,836,533
Motor vehicle fee collections for other governments		281,794
Miscellaneous		175,000
Total Additions	4,544	9,322,664
DEDUCTIONS:		
Beneficiary payments to other governments		74,680
Payments of property tax to other governments		8,836,533
Payments of motor vehicle fees to other governments		281,794
Total Deductions	-	9,193,007
Change in net position	4,544	129,657
Net Position at beginning of year, as restated	39,670	860,918
Net Position at end of year	\$ 44,214	\$ 990,575

See accompanying notes to the basic financial statements

TOWN OF CANAAN, 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 Canaan, New Hampshire conform to accounting principles 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 Canaan, New Hampshire (the Town) was incorporated on July 9, 1761. 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 elected 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 and business-type 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 and business-type 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 and proprietary fund financial statements is on major funds. Each major fund is

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

presented in a separate column. Nonmajor funds are aggregated and presented in a single column. The fiduciary funds are reported by type.

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 three categories of funds: governmental, proprietary, 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 *Permanent Funds* are used to report resources that are legally restricted to the extent that only earnings, not principal, may be used for purposes that support the Town's programs.

2. Proprietary Funds:

Proprietary fund reporting focuses on the determination of operating income, changes in net position, financial position and cash flows. Proprietary funds are classified as enterprise or internal service. The Town has no internal service funds. The following are the Town's major proprietary funds:

The *Water and Sewer Funds* account for all revenues and expenses pertaining to the Town's water and wastewater operations, respectively. The Water and Sewer Funds are utilized to account for operations that are financed and operated in a manner similar to private business enterprises. The stated intent is that the cost (i.e. expenses including depreciation) of providing goods or services to the residents on a continuing basis are financed or recovered primarily through user charges.

3. Fiduciary Funds:

Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into two classifications: private-purpose trust funds and custodial funds. Trust funds are used to account for assets held by the Town under a trust agreement for individuals, private organizations, or other governments. Custodial funds are used to account for amounts collected by the Town and remitted to other individuals or governments. The assets of trust funds and custodial funds are therefore not available to support the Town's own programs.

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

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 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.

Like the government-wide statements, the proprietary fund types are accounted for on a flow of economic resources measurement focus. All assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position. The statement of revenues, expenses and changes in net position presents increases (i.e., revenues) and decreases (i.e., expenses) in net position. The statement of cash flows provides information about how the Town finances and meets the cash flow needs of its proprietary activities.

The fiduciary funds are reported using the economic resources measurement focus.

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. Proprietary and 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

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

property taxes is recognized in the year for which the taxes are levied (see Note 12). Revenue from grants, entitlements and donations is 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 received before the eligibility requirements are met are recorded as advances from grantors. On governmental fund financial statements, taxes receivable 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 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.

Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of the following:

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

	Water <u>Fund</u>	Sewer <u>Fund</u>	<u>Totals</u>
Cash	\$ 21,653	\$ 73,757	\$ 95,410
Due from other funds	118,804		118,804
Due to other funds	<u>(10,557)</u>	<u>(128,266)</u>	<u>(138,823)</u>
Totals	<u>\$ 129,900</u>	<u>\$ (54,509)</u>	<u>\$ 75,391</u>

Investments

Investments are stated at their fair value in all funds. Certificates of deposit and repurchase agreements 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 reserves for estimated uncollectibles of \$54,483.

Accounts Receivable

Charges for services billed during the current year and prior and uncollected at December 31, 2019 are recorded as receivables net of reserves for estimated uncollectibles of \$49,607 in the Ambulance Revolving Fund, a Nonmajor Governmental Fund.

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 governmental fund financial statements. In the government-wide financial statements, capital assets are reported in the applicable governmental or business-type activities column.

All capital assets including infrastructure and intangible assets 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 \$10,000. The Town's infrastructure consists of roads, bridges, sidewalks, water purification and distribution system, sewer collection and treatment system, and similar items. 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.

The Town is not required to retroactively report its general infrastructure. Infrastructure records have been maintained effective January 1, 2004 and are included in these financial statements.

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

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

<u>Description</u>	<u>Years</u>
Infrastructure	30-50
Buildings and improvements	10-40
Land improvements	7-15
Vehicles and equipment	3-25

Compensated Absences

Full time employees may accumulate sick leave days at a rate of one day per month, cumulative to a maximum of sixty days. No payment for unused sick leave is made upon termination.

Dependent upon length of service, full-time employees earn vacation leave at the rate of 5 to 25 days per year. Unused vacation time accrued in a year (based on anniversary date) of up to 5 days will be carried forward to the employee's next anniversary date. Upon termination of employment, employees will be paid for up to all unused vacation earned through the last day of work.

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 absences 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. General obligation debt 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 position have been determined on the same basis as they are reported by NHRS. For this purpose, benefit

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

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 positions are available.

Fund Balance Policy

As of December 31, 2019, the Town has not adopted a formal fund balance policy. The Town has segregated fund balance into five classifications: Nonspendable, Restricted, Committed, Assigned, and Unassigned. These 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*: Amounts constrained to specific purposes by their providers through constitutional provisions or by enabling legislation. Restrictions may be changed or lifted only upon the consent of the external resource provider or enabling legislation.
- *Committed Fund Balance*: Amounts constrained to specific purposes by a government itself using its highest level of decision-making authority (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 action 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 a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority.
- *Unassigned Fund Balance*: Amounts that are not obligated or specifically designated and is available for any purpose; these amounts are reported only in the General Fund, except for any deficit fund balance of another governmental fund.

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

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

classifications can be used, committed amounts should be reduced first, followed by assigned amounts then unassigned amounts.

Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

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 and after non-operating revenues/expenses in the proprietary funds. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented in the financial statements.

Operating Revenues and Expenses

Operating revenues are those revenues that are generated directly from the primary activity of the proprietary funds. For the water fund and sewer fund, these revenues are charges to customers for sales and services. Operating expenses, which include depreciation on capital assets, are necessary costs incurred to provide the service that is the primary activity of the proprietary fund. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* as it pertains to its single employer OPEB plan. Statement 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 GASB Statement 75 were required to be implemented by the Town during the year ended December 31, 2018. The Town has only implemented the provisions of GASB Statement 75 as it pertains to its cost-sharing multiple-employer defined benefit OPEB plan (see Note 6).

NOTE 3—DEPOSITS AND INVESTMENTS

The Town's investment policy for governmental and proprietary fund types requires that deposits be made in New Hampshire based financial institutions that are participants in one of the federal depository insurance programs. The Town limits its investments to the New Hampshire Public Deposit Investment Pool (NHPDIP), an external investment pool in accordance with New Hampshire State law (RSA 197:23-a). Town funds may also be deposited into solvent banks within the State of New Hampshire, short-term obligations of United States government agency, or repurchase agreements with banks chartered by the State of New Hampshire and fully collateralized by United States Treasury Bills.

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

Responsibility for the investments of the expendable trust funds, permanent funds, private-purpose trust funds and agency funds is with the Board of Trustees. The Trustees of Trust Funds have employed professional banking assistance in accordance with New Hampshire State law (RSA 31:38a). Investments of the library funds are at the discretion of the Library Trustees.

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	\$ 616,328
Investments	1,852,042
Statement of Fiduciary Net Position:	
Cash and cash equivalents	3,710,897
Investments	1,034,789
	<u>\$ 7,214,056</u>

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

Cash on hand	\$ 300
Deposits with financial institutions	4,326,925
Investments	<u>2,886,831</u>
Total cash and investments	<u>\$ 7,214,056</u>

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the Town manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer-term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time.

The Town's investment policy for the General Fund, other governmental funds and proprietary funds indicates that investments shall be limited to instruments maturing within one year at the time of purchase or the NHPDIP. The Trustees of Trust Funds and the Library Trustees have no policy with respect to interest rate risk.

Information about the sensitivity of the fair values of the Town's investments to market interest rate fluctuations is provided by the following table that shows the distribution of investments by maturity:

<u>Investment Type</u>	<u>Remaining Maturity (In Years)</u>			
	<u>Fair Value</u>	<u>≤ 1 Year</u>	<u>1-5 Years</u>	<u>≥ 5 Years</u>
U.S. Treasury notes	\$ 822,778	\$ 170,115	\$ 455,570	\$ 197,093
Federal agency securities	12,538	48	2,711	9,779
Municipal obligations	66,888	20,115	10,177	36,596
Corporate bonds	260,024		163,923	96,101
	<u>\$ 1,162,228</u>	<u>\$ 190,278</u>	<u>\$ 632,381</u>	<u>\$ 339,569</u>

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

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 policy states that the Treasurer may place any excess funds into obligations of the United States government maturing in less than one year or the NHPDIP. The investment policy of the Trustees of Trust Funds states that all investments should be undertaken in a manner that seeks to preserve capital. The Library Trustees have no policy with respect to credit risk.

The following is the actual rating at year end for each investment type.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating as of Year End</u>				
		<u>Aaa</u>	<u>Aa</u>	<u>A</u>	<u>Baa</u>	<u>Unrated</u>
Municipal obligations	\$ 66,888		\$ 35,614	\$ 31,274		
Corporate bonds	260,024	\$ 30,725	82,416	94,155	\$ 52,728	
Money market funds	1,204,080					\$ 1,204,080
Bond mutual funds	30,287					30,287
Exchange traded funds	112,309					112,309
State investment pool	88,138	88,138				
	<u>\$ 1,761,726</u>	<u>\$ 118,863</u>	<u>\$ 118,030</u>	<u>\$ 125,429</u>	<u>\$ 52,728</u>	<u>\$ 1,346,676</u>

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.

The Town's policy for governmental and proprietary funds states that deposits shall be fully collateralized with the delivery of United States government obligations, United States government agency obligations, or obligations of the State of New Hampshire in market value at least equal to 100% of the cash deposit. The Trustees of Trust Funds policy states that its investments shall be diversified to minimize the risk of loss resulting from over-concentration of assets in a specific maturity, industry or specific issuer. The Trustees shall also use prudence in the selection of securities. The Library Trustees have no policy with respect to custodial credit risk.

The Town has no deposits with financial institutions at year end that are exposed to custodial credit risk. As of December 31, 2019, Town investments in the following investment types were held by the same counterparty that was used to buy the securities.

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

<u>Investment Type</u>	<u>Reported Amount</u>
U.S. Treasury notes	\$ 822,778
Federal agency securities	12,538
Municipal obligations	66,888
Corporate bonds	260,024
Bond mutual funds	30,287
Equity securities	289,789
Exchange traded funds	112,309
	<u>\$ 1,594,613</u>

Fair Value Measurement of Investments

The Town categorizes the fair value measurements of its investments within the fair value hierarchy established by accounting principles generally accepted in the United States. The fair value hierarchy categorizes the inputs to valuation techniques used for fair value measurement into three levels as follows (in order of priority):

- Level 1 Inputs - Inputs that reflect quoted prices (unadjusted) in active markets for identical assets or liabilities that the Town has the ability to access at the measurement date.
- Level 2 Inputs - Inputs other than quoted prices that are observable for assets or liabilities either directly or indirectly, including inputs in markets that are not considered to be active.
- Level 3 Inputs - Significant unobservable inputs.

As of December 31, 2019, the Town's investments measured at fair value, by type, were as follows:

<u>Investment Type</u>	<u>Fair Value Measurements Using:</u>			<u>Totals</u>
	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>	
U.S. Treasury notes		\$ 822,778		\$ 822,778
Federal agency securities		12,538		12,538
Municipal obligations		66,888		66,888
Corporate bonds		260,024		260,024
Bond mutual funds	\$ 30,287			30,287
Equity securities	289,789			289,789
Exchange trade funds	112,309			112,309
	<u>\$ 432,385</u>	<u>\$ 1,162,228</u>	<u>\$ -</u>	<u>\$ 1,594,613</u>

Bond mutual funds, equity securities and exchange trade funds classified as Level 1 are valued using unadjusted quoted prices in active markets for those securities. US Treasury notes, federal agency securities, municipal obligations and corporate bonds classified as Level 2 are valued using a matrix pricing model.

Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

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

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.

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.

NOTE 4—CAPITAL ASSETS

Governmental Activities

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

	Balance <u>1/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2019</u>
Governmental activities:				
Capital assets not depreciated:				
Land	\$ 402,383	\$ 180,000		\$ 582,383
Construction in progress		37,694		37,694
Total capital assets not being depreciated	<u>402,383</u>	<u>217,694</u>	<u>\$ -</u>	<u>620,077</u>
Other capital assets:				
Infrastructure	1,750,384			1,750,384
Buildings and improvements	1,758,563			1,758,563
Land improvements	13,100			13,100
Vehicles and equipment	2,851,298	388,311	(36,853)	3,202,756
Total other capital assets at historical cost	<u>6,373,345</u>	<u>388,311</u>	<u>(36,853)</u>	<u>6,724,803</u>
Less accumulated depreciation for:				
Infrastructure	(297,122)	(43,291)		(340,413)
Buildings and improvements	(1,059,151)	(60,449)		(1,119,600)
Land improvements	(6,186)	(873)		(7,059)
Vehicles and equipment	(1,748,256)	(197,443)	36,853	(1,908,846)
Total accumulated depreciation	<u>(3,110,715)</u>	<u>(302,056)</u>	<u>36,853</u>	<u>(3,375,918)</u>
Total other capital assets, net	<u>3,262,630</u>	<u>86,255</u>	<u>-</u>	<u>3,348,885</u>
Total capital assets, net	<u>\$ 3,665,013</u>	<u>\$ 303,949</u>	<u>\$ -</u>	<u>\$ 3,968,962</u>

Depreciation expense was charged to governmental functions as follows:

General government	\$ 11,829
Public safety	57,008
Highways and streets	187,186
Sanitation	10,794
Culture and recreation	29,208
Economic development	6,031
Total governmental activities depreciation expense	<u>\$ 302,056</u>

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

Business-Type Activities

The following is a summary of changes in capital assets in the business-type activities:

	<u>Balance</u> <u>1/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>12/31/2019</u>
Business-type activities:				
Capital assets not depreciated:				
Land	\$ 238,341			\$ 238,341
Construction in progress	7,640			7,640
Total capital assets not being depreciated	<u>245,981</u>	<u>\$ -</u>	<u>\$ -</u>	<u>245,981</u>
Other capital assets:				
Infrastructure	5,619,767			5,619,767
Buildings and improvements	67,970			67,970
Land improvements	22,395			22,395
Vehicles and equipment	212,627			212,627
Total other capital assets at historical cost	<u>5,922,759</u>	<u>-</u>	<u>-</u>	<u>5,922,759</u>
Less accumulated depreciation for:				
Infrastructure	(2,881,828)	(112,396)		(2,994,224)
Buildings and improvements	(54,367)	(1,359)		(55,726)
Land improvements	(22,395)			(22,395)
Vehicles and equipment	(175,513)	(9,279)		(184,792)
Total accumulated depreciation	<u>(3,134,103)</u>	<u>(123,034)</u>	<u>-</u>	<u>(3,257,137)</u>
Total other capital assets, net	<u>2,788,656</u>	<u>(123,034)</u>	<u>-</u>	<u>2,665,622</u>
Total capital assets, net	<u>\$ 3,034,637</u>	<u>\$ (123,034)</u>	<u>\$ -</u>	<u>\$ 2,911,603</u>

Depreciation expense was charged to proprietary funds as follows:

Water fund	\$ 43,784
Sewer fund	79,250
Total business-type activities depreciation expense	<u>\$ 123,034</u>

NOTE 5—SHORT-TERM OBLIGATIONS

The Town issued a tax anticipation note to assist in the payment of operating expenditures during the year. The tax anticipation note is guaranteed to be repaid from the property tax revenue received from the December warrant.

The changes in short-term debt obligations for the year ended December 31, 2019 are as follows:

	Tax Anticipation <u>Note</u>
Balance - January 1, 2019	\$ -
Additions	334,000
Reductions	
Balance - December 31, 2019	<u>\$ 334,000</u>

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

NOTE 6—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:

	Balance <u>1/1/2019</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>12/31/2019</u>	Due Within <u>One Year</u>
Governmental activities:					
Compensated absences payable	<u>\$ 20,985</u>	<u>\$ 10,740</u>	<u>\$ (3,112)</u>	<u>\$ 28,613</u>	<u>\$ -</u>

Payments on compensated absences will be paid from the General Fund.

NOTE 7—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 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.

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

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 rates 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 \$18,151 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 \$174,141 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 0.0397 percent, which was a decrease of 0.0026 percentage points from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Town recognized OPEB expense of \$14,232. 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		\$ 303
Net difference between projected and actual earnings on OPEB plan investments		196
Changes in proportion and differences between Town contributions and proportionate share of contributions		1,241
Town contributions subsequent to the measurement date	\$ 9,307	<u> </u>
Totals	<u>\$ 9,307</u>	<u>\$ 1,740</u>

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 \$7,567. The Town reported \$9,307 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:

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

<u>June 30,</u>	
2020	\$ (1,674)
2021	(130)
2022	13
2023	<u>51</u>
	<u>\$ (1,740)</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:

<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%
International equity	20%	4.50-6.00%
Fixed income	25%	1.12-2.46%
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

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

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	Current	1% Increase
	<u>(6.25%)</u>	<u>(7.25%)</u>	<u>(8.25%)</u>
Net OPEB liability	\$ 188,882	\$ 174,141	\$ 161,331

NOTE 8—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.

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

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

the multiplier used in the calculation will change depending on age and years of creditable service as follows:

<u>Years of Creditable Services as of</u> <u>January 1, 2012</u>	<u>Minimum Age</u>	<u>Minimum</u> <u>Service</u>	<u>Benefit</u> <u>Multiplier</u>
At least 3 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 public safety 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 contributions to the NHRS for the year ended December 31, 2019 were \$189,980.

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

At December 31, 2019, the Town reported a liability of \$1,985,677 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 0.0413 percent, which was a decrease of 0.0005 percentage points from its proportion measured as of June 30, 2018.

For the year ended December 31, 2019, the Town recognized pension expense of \$280,406. At December 31, 2019, the Town reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 10,979	\$ 42,698
Net difference between projected and actual earnings on pension plan investments		16,220
Changes of assumptions	71,245	
Changes in proportion and differences between Town contributions and proportionate share of contributions	32,055	27,551
Town contributions subsequent to the measurement date	99,326	
Totals	<u>\$ 213,605</u>	<u>\$ 86,469</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 \$127,136. The Town reported \$99,326 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 of resources and deferred inflows of resources related to pensions will be recognized as pension expense in the measurement periods as follows:

<u>June 30,</u>	
2020	\$ 76,575
2021	(36,753)
2022	(12,412)
2023	400
	<u>\$ 27,810</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.

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.

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

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%
International equity	20%	4.50-6.00%
Fixed income	25%	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 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:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Town's proportionate share of the net pension liability	\$ 2,658,903	\$ 1,985,677	\$ 1,429,260

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

NOTE 9—INTERFUND BALANCES AND TRANSFERS

The Town has combined the cash resources of its governmental and proprietary fund types. 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 from		
	General	Nonmajor	Water	Sewer	
	<u>Fund</u>	<u>Funds</u>	<u>Fund</u>	<u>Fund</u>	<u>Totals</u>
General Fund		\$ 35,657	\$ 10,557	\$ 9,462	\$ 55,676
Due to Nonmajor Governmental Funds	\$ 4,758				4,758
Water Fund				118,804	118,804
Totals	<u>\$ 4,758</u>	<u>\$ 35,657</u>	<u>\$ 10,557</u>	<u>\$ 128,266</u>	<u>\$ 179,238</u>

During the year, interfund transactions occurred between funds. Transfers out of the Permanent Funds to the General Fund in the amount of \$17,938 were made to distribute income earned on investments during the year to support the Town's programs.

NOTE 10—RESTRICTED NET POSITION

Net position of governmental activities is restricted for specific purposes as follows:

Permanent Funds - Principal	\$ 515,640
Permanent Funds - Income	262,395
Library	136,414
	<u>\$ 914,449</u>

NOTE 11—COMPONENTS OF FUND BALANCE

The Town's fund balance components are comprised as follows:

	<u>Fund Balances</u>	General <u>Fund</u>	Permanent <u>Funds</u>	Nonmajor Governmental <u>Funds</u>	Total Governmental <u>Funds</u>
Nonspendable:					
Permanent Funds - Principal			\$ 515,640		\$ 515,640
Prepaid expenses		\$ 21,111			21,111
Tax deeded property		43,076			43,076
Restricted for:					
Permanent Funds - Income			262,395		262,395
Library		136,414			136,414

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

Committed for:

Carryforward appropriations	262,557		262,557
Capital Reserves	746,765		746,765
Conservation		\$ 73,652	73,652
Expendable Trusts		98,127	98,127
Transfer Station		6,848	6,848
Police Outside Details		36,416	36,416
Recreation		9,571	9,571
Ambulance		119,067	119,067

Unassigned:

Unassigned (deficit)	(105,522)		(105,522)
	<u>\$ 1,104,401</u>	<u>\$ 778,035</u>	<u>\$ 343,681</u>
			<u>\$ 2,226,117</u>

NOTE 12—PROPERTY TAXES

Taxes are levied on the assessed valuation of all taxable real property as of the prior April 1 (\$344,646,906 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 Mascoma Valley Regional School District and Grafton 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 \$8,187,337 and \$649,196 for the Mascoma Valley Regional School District and Grafton 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

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

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.

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—COMMITMENTS AND 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 NET POSITION

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 Fund
Fund Balance - January 1, 2019 (as previously reported)	\$ 1,289,175
Amount of restatement due to:	
Implementation of GASB Statement 84	<u>311,328</u>
Fund Balance - January 1, 2019, as restated	<u>\$ 1,600,503</u>

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

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

	Custodial Funds
Net Position - January 1, 2019 (as previously reported)	\$ -
Amount of restatement due to:	
Implementation of GASB Statement 84	<u>860,918</u>
Net Position - January 1, 2019, as restated	<u><u>\$ 860,918</u></u>

NOTE 16—SUBSEQUENT EVENTS

Tax Anticipation Notes

During May 2020, the Town issued a tax anticipation note in the amount of \$250,000, with interest at 2.00%. The tax anticipation note was used to assist in cash flows and was paid in full on August 12, 2020.

During November 2020, the Town issued a tax anticipation note in the amount of \$268,000, with interest at 2.85%. The tax anticipation note was used to assist in cash flows and is due in full on August 27, 2021.

SCHEDULE 1

TOWN OF CANAAN, 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

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	
Revenues:				
Taxes	\$ 2,595,105	\$ 2,595,105	\$ 2,576,625	\$ (18,480)
Licenses and permits	778,830	778,830	788,580	9,750
Intergovernmental	448,225	519,582	518,635	(947)
Charges for services	48,000	48,000	50,325	2,325
Interest income	5,000	5,000	5,970	970
Miscellaneous	29,500	29,500	58,405	28,905
Total Revenues	<u>3,904,660</u>	<u>3,976,017</u>	<u>3,998,540</u>	<u>22,523</u>
Expenditures:				
Current operations:				
General government	1,286,988	1,621,016	1,549,959	71,057
Public safety	1,199,273	1,199,273	1,127,528	71,745
Highways and streets	822,580	822,580	833,763	(11,183)
Sanitation	206,249	206,249	208,486	(2,237)
Health and welfare	113,468	113,468	117,407	(3,939)
Culture and recreation	27,027	27,027	19,885	7,142
Capital outlay	568,002	591,802	589,995	1,807
Debt service:				
Principal retirement	1	1	-	1
Interest and fiscal charges	2	2	-	2
Total Expenditures	<u>4,223,590</u>	<u>4,581,418</u>	<u>4,447,023</u>	<u>134,395</u>
Excess revenues over (under) expenditures	<u>(318,930)</u>	<u>(605,401)</u>	<u>(448,483)</u>	<u>156,918</u>
Other financing sources (uses):				
Transfers in	416,604	381,604	320,469	(61,135)
Transfers out	<u>(500,474)</u>	<u>(500,474)</u>	<u>(485,724)</u>	<u>14,750</u>
Total Other financing sources (uses)	<u>(83,870)</u>	<u>(118,870)</u>	<u>(165,255)</u>	<u>(46,385)</u>
Net change in fund balance	(402,800)	(724,271)	(613,738)	110,533
Fund Balance at beginning of year				
- Budgetary Basis	<u>1,171,860</u>	<u>1,171,860</u>	<u>1,171,860</u>	<u>-</u>
Fund Balance at end of year				
- Budgetary Basis	<u>\$ 769,060</u>	<u>\$ 447,589</u>	<u>\$ 558,122</u>	<u>\$ 110,533</u>

See accompanying notes to the required supplementary information

SCHEDULE 2

TOWN OF CANAAN, 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	0.03972088%	\$ 174,141	\$ 1,077,885	16.16%	5.65%
June 30, 2018	0.04227163%	\$ 193,539	\$ 1,070,226	18.08%	7.53%
June 30, 2017	0.02866370%	\$ 131,060	\$ 997,162	13.14%	7.91%
June 30, 2016	0.02819841%	\$ 136,510	\$ 946,240	14.43%	5.21%

See accompanying notes to the required supplementary information

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

Cost-Sharing Multiple Employer Plan Information Only					
<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	\$ 18,151	\$ (18,151)	\$ -	\$ 1,206,996	1.50%
December 31, 2018	\$ 18,677	\$ (18,677)	\$ -	\$ 1,096,885	1.70%
December 31, 2017	\$ 17,844	\$ (17,844)	\$ -	\$ 1,023,827	1.74%
December 31, 2016	\$ 16,861	\$ (16,861)	\$ -	\$ 973,044	1.73%

See accompanying notes to the required supplementary information

SCHEDULE 4

TOWN OF CANAAN, 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	0.04126806%	\$ 1,985,677	\$ 1,077,885	184.22%	65.59%
June 30, 2018	0.04179718%	\$ 2,012,619	\$ 1,070,226	188.06%	64.73%
June 30, 2017	0.04211241%	\$ 2,071,085	\$ 997,162	207.70%	62.66%
June 30, 2016	0.04118113%	\$ 2,189,846	\$ 946,240	231.43%	58.30%
June 30, 2015	0.04000351%	\$ 1,584,750	\$ 931,817	170.07%	65.47%
June 30, 2014	0.03824704%	\$ 1,435,635	\$ 860,676	166.80%	66.32%
June 30, 2013	0.03594569%	\$ 1,547,025	\$ 781,213	198.03%	59.81%

See accompanying notes to the required supplementary information

SCHEDULE 5
TOWN OF CANAAN, 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	\$ 189,980	\$ (189,980)	\$ -	\$ 1,206,996	15.74%
December 31, 2018	\$ 179,234	\$ (179,234)	\$ -	\$ 1,096,885	16.34%
December 31, 2017	\$ 164,458	\$ (164,458)	\$ -	\$ 1,023,827	16.06%
December 31, 2016	\$ 151,448	\$ (151,448)	\$ -	\$ 973,044	15.56%
December 31, 2015	\$ 140,206	\$ (140,206)	\$ -	\$ 936,284	14.97%
December 31, 2014	\$ 125,738	\$ (125,738)	\$ -	\$ 879,027	14.30%
December 31, 2013	\$ 109,018	\$ (109,018)	\$ -	\$ 839,363	12.99%

See accompanying notes to the required supplementary information

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

NOTE 1—BUDGET TO ACTUAL RECONCILIATION

General Fund

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 under state regulations. 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 encumbrances, non-budgetary revenues and expenditures and budgetary transfers as follows:

	Revenues and Other Financing <u>Sources</u>	Expenditures and Other Financing <u>Uses</u>
Per Exhibit D	\$ 4,166,889	\$ 4,662,991
Difference in property taxes meeting susceptible to accrual criteria	(68,072)	
Encumbrances - December 31, 2019		27,863
Encumbrances - December 31, 2018		(41,143)
Non-budgetary revenues and expenditures	(82,339)	(202,688)
Budgetary transfers	<u>302,531</u>	<u>485,724</u>
Per Schedule 1	<u>\$ 4,319,009</u>	<u>\$ 4,932,747</u>

NOTE 2—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 3—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

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

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 CANAAN, NEW HAMPSHIRE
Combining Balance Sheet
Governmental Funds - All Nonmajor Funds
December 31, 2019

	Conservation <u>Fund</u>	Expendable Trust <u>Funds</u>	Transfer Station <u>Fund</u>	Police Outside Detail <u>Fund</u>	Recreation Revolving <u>Fund</u>	Ambulance Revolving <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
ASSETS							
Cash and cash equivalents			\$ 5,471	\$ 35,414	\$ 14,920	\$ 69,057	\$ 124,862
Investments	\$ 70,271	\$ 98,127					168,398
Accounts receivable, net				2,310		79,010	81,320
Due from other funds	3,381		1,377				4,758
Total Assets	<u>73,652</u>	<u>98,127</u>	<u>6,848</u>	<u>37,724</u>	<u>14,920</u>	<u>148,067</u>	<u>379,338</u>
DEFERRED OUTFLOWS OF RESOURCES							
Total Deferred Outflows of Resources	-	-	-	-	-	-	-
Total Assets and Deferred Outflows of Resources	<u>\$ 73,652</u>	<u>\$ 98,127</u>	<u>\$ 6,848</u>	<u>\$ 37,724</u>	<u>\$ 14,920</u>	<u>\$ 148,067</u>	<u>\$ 379,338</u>
LIABILITIES							
Due to other funds				\$ 1,308	\$ 5,349	\$ 29,000	\$ 35,657
Total Liabilities	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>1,308</u>	<u>5,349</u>	<u>29,000</u>	<u>35,657</u>
DEFERRED INFLOWS OF RESOURCES							
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES							
Committed	73,652	98,127	6,848	36,416	9,571	119,067	343,681
Total Fund Balances	<u>73,652</u>	<u>98,127</u>	<u>6,848</u>	<u>36,416</u>	<u>9,571</u>	<u>119,067</u>	<u>343,681</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 73,652</u>	<u>\$ 98,127</u>	<u>\$ 6,848</u>	<u>\$ 37,724</u>	<u>\$ 14,920</u>	<u>\$ 148,067</u>	<u>\$ 379,338</u>

SCHEDULE B

TOWN OF CANAAN, NEW HAMPSHIRE

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds - All Nonmajor Funds

For the Year Ended December 31, 2019

	Conservation <u>Fund</u>	Expendable Trust <u>Funds</u>	Transfer Station <u>Fund</u>	Police Outside <u>Detail Fund</u>	Recreation Revolving <u>Fund</u>	Ambulance Revolving <u>Fund</u>	Total Nonmajor Governmental <u>Funds</u>
Revenues:							
Taxes	\$ 5,000						\$ 5,000
Intergovernmental						\$ 140	140
Charges for services			\$ 1,377	\$ 8,217	\$ 75,687	223,268	308,549
Interest and investment income	1,495	\$ 9,694	3	17	10		11,219
Miscellaneous		1,750			6,379	23,211	31,340
Total Revenues	<u>6,495</u>	<u>11,444</u>	<u>1,380</u>	<u>8,234</u>	<u>82,076</u>	<u>246,619</u>	<u>356,248</u>
Expenditures:							
Current operations:							
General government		225					225
Public safety				6,295		127,552	133,847
Culture and recreation	427				81,655		82,082
Total Expenditures	<u>427</u>	<u>225</u>	<u>-</u>	<u>6,295</u>	<u>81,655</u>	<u>127,552</u>	<u>216,154</u>
Net change in fund balances	6,068	11,219	1,380	1,939	421	119,067	140,094
Fund Balances at beginning of year	<u>67,584</u>	<u>86,908</u>	<u>5,468</u>	<u>34,477</u>	<u>9,150</u>		<u>203,587</u>
Fund Balances at end of year	<u>\$ 73,652</u>	<u>\$ 98,127</u>	<u>\$ 6,848</u>	<u>\$ 36,416</u>	<u>\$ 9,571</u>	<u>\$ 119,067</u>	<u>\$ 343,681</u>