

**TOWN OF DALTON, NEW
HAMPSHIRE**

ANNUAL FINANCIAL REPORT

**AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2019**

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ANNUAL FINANCIAL REPORT
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INDEPENDENT AUDITOR'S REPORT

To the Members of the Board of Selectmen
Town of Dalton
Dalton, New Hampshire

We have audited the accompanying financial statements of the governmental activities, each major fund, and aggregate remaining fund information of the Town of Dalton, NH (the "Town") as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Town of Dalton
Independent Auditor's Report

Other Matters

Required Supplementary Information – Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Management's Discussion and Analysis

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.

Graham & Veroff, PC
Graham & Veroff, P.C.
Laconia, New Hampshire
January 8, 2021
NH Registration #659

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

A. OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the basic financial statements. The basic financial statements are comprised of three components: (1) government- wide financial statements, (2) fund financial statements, and (3) notes to financial statements. The basic financial statements present two (2) different views of the Town through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the Town.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of our finances in a manner similar to a private-sector business.

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

The Statement of Activities presents information showing how the Government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities include general government, public safety, highways and streets, sanitation, health and welfare, culture and recreation, community development, interest on long-term debt, and capital outlay. The business-type activities include water fund activities.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements. All of the funds can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. The Governmental Funds Balance Sheet and the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances both provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Information is presented separately in the Governmental Funds Balance sheet and in the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance for the general fund, which is considered to be a major fund. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining schedules in the combining and individual fund schedules section of this report.

An annual appropriated budget is adopted for the general fund and certain non-major governmental (special revenue) funds. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with budgets.

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

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information which is required to be disclosed by accounting principles generally accepted in the United States of America.

B. FINANCIAL HIGHLIGHTS

- As of the close of the current fiscal year, the total of assets exceeded liabilities by \$1,058,873 (i.e., net position), an increase of \$3,085 in comparison to the prior year.
- As of the close of the current fiscal year, governmental funds reported combined ending fund balances of \$410,197, an increase of \$55,374 in comparison to the prior year.
- At the end of the current fiscal year, unassigned fund balance for the governmental funds was (\$5,394), a decrease of \$45,982 in comparison to the prior year.
- Cash and cash equivalents for Governmental Funds totaled \$1,008,826 as of December 31, 2019, an increase of \$72,354 as compared to a total of \$936,472 as of December 31, 2018.
- Total long-term debt at the close of the current fiscal year was \$85,756, a decrease of \$26,044 in comparison to the prior year.

C. GOVERNMENT-WIDE FINANCIAL ANALYSIS

The following is a summary of condensed government-wide financial data for the current and prior fiscal years. All amounts are presented in thousands.

NET POSITION

	Governmental Activities	
	2019	2018
Current and other assets	\$ 1,351,765	\$ 1,244,250
Capital assets	488,686	570,265
Total assets	1,840,451	1,814,515
Long-term liabilities outstanding	85,756	111,800
Other liabilities	695,822	644,313
Total liabilities	781,578	756,113
Net position:		
Net investment in capital assets	402,929	458,465
Restricted	389,913	111,800
Unrestricted	266,031	488,138
Total net position	\$ 1,058,873	\$ 1,058,403

CHANGES IN NET POSITION

	Governmental Activities	
	2019	2018
Revenues:		
Program revenues		
Charges for services	\$ 32,061	\$ 32,522
Operating grants and contributions	110,392	113,802
General revenues		
Property and other taxes	477,902	530,731
Licenses and other fees	192,598	193,708
Miscellaneous	941	4,337
Total revenues	\$ 813,894	\$ 875,100
Expenses:		
General government	287,796	181,642
Public safety	87,174	84,629
Highways and streets	330,356	333,186
Sanitation	66,924	83,446
Health and welfare	7,860	6,860
Culture and recreation	13,573	14,303
Capital outlay	15,982	143,673
Interest on long-term debt	1,144	1,735
Total expenses	810,809	849,474
Change in net position	3,085	25,626
Net position – beginning of year	1,055,788	1,030,162
Net Position – end of year	\$ 1,058,873	\$ 1,055,788

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

The largest portion of net position in the amount of \$402,929 reflects our investment in capital assets (e.g., land, buildings, machinery and equipment, and infrastructure); less any related debt used to acquire those assets that is still outstanding. These capital assets are used to provide services to citizens; consequently, these assets are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of net position totaling \$389,913 represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$266,031 reflects a surplus at year end.

FINANCIAL ANALYSIS OF THE GOVERNMENT'S FUNDS

As noted earlier, fund accounting is used to ensure and demonstrate compliance with finance-related legal requirements.

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

The general fund is the chief operating fund. At the end of the current fiscal year, unassigned fund balance of the general fund was (\$5,394); restricted fund balance (capital reserves and conservation commission) was \$389,913, while total fund balance was \$410,197. As a measure of the governmental fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total governmental fund expenditures. Refer to the table below:

<u>Governmental Funds</u>	December 31, 2019	December 31, 2018	Change
Unassigned fund balance	\$ (5,394)	\$ 40,588	\$ (45,982)
Restricted fund balance:			
Capital reserves	312,058	210,779	101,279
Conservation commission	77,855	77,778	77
Non-spendable fund balance	25,678	25,678	-
Total fund balance	<u>\$ 410,197</u>	<u>\$ 354,823</u>	<u>\$ 55,374</u>
Unassigned fund balance as a % of total governmental fund expenditures	(.714%)	5.37%	(6.08%)
Restricted fund balances as a % of total governmental fund expenditures	41.31%	33.15%	8.16%
Total fund balance as a % of governmental fund expenditures	54.31%	46.98%	7.33%

GENERAL FUND BUDGETARY HIGHLIGHTS

There were no major differences between the original budget and the final amended budget.

Actual revenues were \$96,907, or 18.64%, lower than final budgeted revenues for the fiscal year ended December 31, 2019, primarily as a result of lower than anticipated property tax revenue. Below is a brief summary of the approximate revenue variances:

- Property tax revenue collections were lower than projections by \$96,907.
- Vehicle registrations exceeded amounts budgeted for by \$25,776.
- Fees charged for services provided by the Town exceeded projections by \$9,061.
- Unanticipated revenues received from the State of New Hampshire amounted to \$24,921. Overall, actual current year expenditures, net of transfers from the Town's Expendable Trust Funds, were greater than final budgeted expenditures by \$24,241 for the fiscal year. General Fund appropriations were less than actual expenditures due to several factors including unanticipated staffing turnover, property revaluation costs and building maintenance. Below is a brief summary of the expense variances.
- The cost of providing police services to Town residents decreased by \$7,929.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital assets. Total investment in capital assets for governmental and business-type activities at year-end amounted to \$402,929 (net of accumulated depreciation), a change of \$55,536 from the prior year. This investment in capital assets includes land, buildings, vehicles, machinery and equipment, park and cemetery facilities, roads, highways and bridges.

Long-term debt. At the end of the current fiscal year, total debt outstanding on a note payable was \$85,756, all of which was backed by the full faith and credit of the government.

Additional information on capital assets and long-term debt can be found in Note 5 of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Town's financial position remains strong. The Town has sufficient cash flow to meet its current obligations. The economy in Northern New Hampshire in the past year continued to experience a rate of economic growth that compares negatively with the rest of the state, the New England region, and the country as a whole. The Town is prepared in the event of an economic downturn to maintain service levels and reduce operating expenditures if necessary, in the event that projected revenue estimates cannot be met.

The Town's voters adopted the 2020-2021 budget, and the 2020 property tax rate was set in November.

REQUESTS FOR INFORMATION

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

Dalton Town Offices
 756 Dalton Road
 Dalton, NH 03598
 Phone: 603-837-2092

BASIC FINANCIAL STATEMENTS

EXHIBIT A
TOWN OF DALTON, NEW HAMPSHIRE
STATEMENT OF NET POSITION
December 31, 2019

	PRIMARY GOVERNMENT
	<u>Governmental Activities</u>
ASSETS	
Cash and cash equivalents	\$ 1,008,826
Accounts receivable (net)	500
Taxes receivable (net)	307,013
Interfund receivable/(payable)	806
Prepaid expenses	8,943
Tax deeded property, subject to resale	25,678
Capital assets:	
Land	1,500
Other capital assets, net of depreciation	487,185
Total assets	<u>1,840,451</u>
LIABILITIES	
Accounts payable	42,558
Accrued payroll and related taxes	5,898
Intergovernmental payable	647,366
Long-term liabilities:	
Due within one year	
Notes payable	26,063
Due in more than one year	
Notes payable	59,693
Total liabilities	<u>781,578</u>
NET POSITION	
Net investment in capital assets	402,929
Restricted	389,913
Unrestricted	266,031
TOTAL NET POSITION	<u>\$ 1,058,873</u>

EXHIBIT B
TOWN OF DALTON, NEW HAMPSHIRE
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

		Program Revenues			Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
General government	\$ 303,778	\$ 615	\$ 19,927	\$ -	\$ (283,236)
Public safety	87,174	-	-	-	(87,174)
Highways and streets	330,356	-	90,210	-	(240,146)
Sanitation	66,924	31,446	-	-	(35,478)
Health and welfare	7,860	-	-	-	(7,860)
Culture and recreation	13,573	-	255	-	(13,318)
Interest on long-term debt	1,144	-	-	-	(1,144)
Total Governmental Activities	<u>810,809</u>	<u>32,061</u>	<u>110,392</u>	<u>-</u>	<u>(668,356)</u>
General Revenues:					
Taxes:					
Property					\$ 246,304
Other					231,598
Licenses and other fees					192,598
Miscellaneous					941
Total general revenues					<u>671,441</u>
Change in net position					3,085
Net position - beginning of year					<u>1,055,788</u>
Net position - end of year					<u>\$ 1,058,873</u>

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

EXHIBIT C-1
TOWN OF DALTON, NEW HAMPSHIRE
BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2019

	General	Conservation Commission	Perpetual Care Trust	Capital Reserve Funds	Total
ASSETS					
Cash and cash equivalents	\$ 618,913	\$ 77,855	\$ 20,824	\$ 291,234	\$ 1,008,826
Accounts receivable	500	-	-	-	500
Taxes receivable (net)	307,013	-	-	-	307,013
Due from library	806	-	-	-	806
Prepaid items	8,943	-	-	-	8,943
Tax deeded property	25,678	-	-	-	25,678
Total assets	<u>961,853</u>	<u>77,855</u>	<u>20,824</u>	<u>291,234</u>	<u>1,351,766</u>
LIABILITIES					
Accounts payable	42,558	-	-	-	42,558
Accrued salary and taxes	5,898	-	-	-	5,898
Intergovernmental payable	647,366	-	-	-	647,366
Total liabilities	<u>695,822</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>695,822</u>
DEFERRED INFLOWS OF RESOURCES					
Unavailable revenue - property taxes	245,747	-	-	-	245,747
Total deferred inflows of resources	<u>245,747</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>245,747</u>
FUND BALANCES					
Nonspendable	25,678	-	-	-	25,678
Restricted	-	77,855	20,824	291,234	389,913
Unassigned	(5,394)	-	-	-	(5,394)
Total fund balances	<u>20,284</u>	<u>77,855</u>	<u>20,824</u>	<u>291,234</u>	<u>410,197</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 961,853</u>	<u>\$ 77,855</u>	<u>\$ 20,824</u>	<u>\$ 291,234</u>	<u>\$ 1,351,766</u>

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

EXHIBIT C-2
TOWN OF DALTON, NEW HAMPSHIRE
RECONCILIATION OF GOVERNMENTAL FUND BALANCES TO THE
STATEMENT OF NET POSITION - GOVERNMENTAL ACTIVITIES
December 31, 2019

Total fund balances of governmental funds (Exhibit C-1)	\$	410,197
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not considered financial resources for fund perspective reporting and, therefore, are not reported in the funds		
Cost	\$	5,370,115
Less accumulated depreciation		<u>(4,881,430)</u>
		488,685
Revenues that are not available to pay for current period expenditures are deferred in the funds		
Unavailable tax revenue		245,747
Long-term liabilities are not due and payable in the current period. Therefore, they are not reported in the governmental fund balance		
Notes payable	\$	<u>(85,756)</u>
		<u>(85,756)</u>
Net position of governmental activities (Exhibit A)	\$	<u><u>1,058,873</u></u>

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

EXHIBIT C-3
TOWN OF DALTON, NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2019

	General	Conservation Commission	Perpetual Care Trust	Capital Reserve Funds	Total
REVENUES					
Taxes	\$ 422,850	\$ -	\$ -	\$ -	\$ 422,850
Licenses and permits	192,598	-	-	-	192,598
Intergovernmental	162,196	-	-	-	162,196
Charges for services	32,061	-	-	-	32,061
Investment income	505	77	16	245	843
Miscellaneous	98	-	-	-	98
Total revenues	<u>810,308</u>	<u>77</u>	<u>16</u>	<u>245</u>	<u>810,646</u>
EXPENDITURES					
Current:					
General government	287,795	-	-	-	287,795
Public safety	72,174	-	-	-	72,174
Highways and streets	269,920	-	-	-	269,920
Sanitation	60,781	-	-	-	60,781
Health and welfare	7,860	-	-	-	7,860
Culture and recreation	13,573	-	-	-	13,573
Capital outlay	-	-	-	15,982	15,982
Debt service:					
Principal	26,159	-	-	-	26,159
Interest	1,028	-	-	-	1,028
Total expenditures	<u>739,290</u>	<u>-</u>	<u>-</u>	<u>15,982</u>	<u>755,272</u>
Excess of revenues over expenditures	71,018	77	16	(15,737)	55,374
OTHER FINANCING SOURCES (USES)					
Transfers in (out)	<u>(117,000)</u>	<u>-</u>	<u>-</u>	<u>117,000</u>	<u>-</u>
Total other financing sources (uses)	<u>(117,000)</u>	<u>-</u>	<u>-</u>	<u>117,000</u>	<u>-</u>
Net change in fund balances	(45,982)	77	16	101,263	55,374
Fund Balance, beginning of year	<u>66,266</u>	<u>77,778</u>	<u>20,808</u>	<u>189,971</u>	<u>354,823</u>
Fund Balance, end of year	<u>\$ 20,284</u>	<u>\$ 77,855</u>	<u>\$ 20,824</u>	<u>\$ 291,234</u>	<u>\$ 410,197</u>

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

EXHIBIT C-4
TOWN OF DALTON, NEW HAMPSHIRE
RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2019

Net change in fund balances of governmental funds (Exhibit C-3)		\$ 55,374
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. In the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capitalized capital outlay in the current period.		
Capitalized capital outlay	-	
Depreciation expense	<u>(81,579)</u>	(81,579)
Revenue in the statement of activities that does not provide current financial resources is not reported in the governmental funds		
Change in unavailable tax revenue	<u>3,246</u>	3,246
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the financial resources of governmental funds. Neither transaction, however, has any effect of net position:		
Repayment of debt	<u>26,044</u>	<u>26,044</u>
Change in net position of governmental activities (Exhibit B)		<u><u>\$ 3,085</u></u>

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

EXHIBIT D
TOWN OF DALTON, NEW HAMPSHIRE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)
GENERAL FUND
For the Year Ended December 31, 2019

	Original and Final	Actual	Variance Favorable (Unfavorable)
REVENUES			
Taxes	\$ 519,757	\$ 422,850	\$ (96,907)
Licenses and permits	162,000	192,598	30,598
Intergovernmental	137,275	162,196	24,921
Charges for services	23,000	32,061	9,061
Investment income	500	505	5
Miscellaneous	5,500	98	(5,402)
Total revenues	<u>848,032</u>	<u>810,308</u>	<u>(37,724)</u>
EXPENDITURES			
Current:			
General government	270,432	287,795	(17,363)
Public safety	88,300	72,174	16,126
Highways and streets	251,500	269,920	(18,420)
Sanitation	60,000	60,781	(781)
Health and welfare	11,800	7,860	3,940
Culture and recreation	14,800	13,573	1,227
Debt service	33,200	27,187	6,013
Capital outlay	1,000	-	1,000
Total expenditures	<u>731,032</u>	<u>739,290</u>	<u>(8,258)</u>
Excess (deficiency) of revenues over (under) expenditures	117,000	71,018	(45,982)
OTHER FINANCING SOURCES (USES)			
Transfers out	(117,000)	(117,000)	-
Total other financing sources (uses)	<u>(117,000)</u>	<u>(117,000)</u>	<u>-</u>
Net change in fund balances	\$ <u>-</u>	(45,982)	\$ <u>(45,982)</u>
Decrease in non-spendable fund balance		-	
Unassigned fund balance, beginning of year		40,588	
Unassigned fund balance, end of year		<u>\$ (5,394)</u>	

See Independent Auditors' Report and Accompanying Notes to Basic Financial Statements.

TOWN OF DALTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2019

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TOWN OF DALTON, NEW HAMPSHIRE
NOTES TO THE BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE FISCAL YEAR ENDED
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NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Dalton, NH (the “Town”), have been prepared in conformity with U.S. Generally Accepted Accounting Principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and other authoritative sources.

The more significant of the Town’s accounting policies are described below.

1-A Reporting Entity

The Town of Dalton is a municipal corporation governed by an elected three-member Board of Selectmen. In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include a potential component unit in the reporting entity is made by applying the criteria set forth by the GASB. The Town has no component units to include in its reporting entity.

1-B Basis of Accounting, and Measurement Focus

The accounts of the Town are organized on the fund basis, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

Government-wide Financial Statements – The Town’s government-wide financial statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of governmental and business-type activities for the Town accompanied by a total column. Fiduciary activities of the Town are not included in these statements.

These statements are presented on an “economic resources” measurement focus and the accrual basis of accounting. Accordingly, all of the Town’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the Town are reported in three categories: 1) charges for services, 2) operating grants and contributions, and 3) capital grants and contributions.

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

Governmental Fund Financial Statements – Include a Balance Sheet and a Statement of Revenues, Expenditures, and Changes in Fund Balances for the major governmental fund and nonmajor funds aggregated. An accompanying statement is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to the net position and changes in net position presented in the government-wide financial statements. The Town has presented all major funds that met those qualifications.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Town generally considers revenues to be available if they are collected within 60 days of the end of the current fiscal period, with the exception of reimbursement-based grants, which use a period of one year. Property taxes, licenses and permits, intergovernmental revenue, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

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The Town reports the following major governmental fund:

General Fund – is the Town’s primary operating fund. The general fund accounts for all financial resources except those required to be accounted for in another fund. The primary revenue sources include property taxes, State grants and motor vehicle permit fees. The primary expenditures are for general government, public safety, highways and streets, sanitation, culture and recreation, health and welfare and capital outlay. Under GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* guidance, the other special revenue funds and expendable trust funds are consolidated in the general fund.

Additionally, the Town reports the following fund types:

Expendable Trust Funds – reports as a capital reserve fund and is used to account for the various expendable trust funds held by the Trustees of the Trust Funds.

Conservation Commission Funds – reports as a capital reserve fund and is used to account for earnings and expenditures of the fund set up to conserve Town property and to account for the costs incurred by the Town to maintain and protect its conservation property.

All the governmental funds not meeting the criteria established for major funds are presented in the other governmental funds column of the fund financial statements. The Town reports two nonmajor governmental funds.

1-C Cash and Cash Equivalents

The Town considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Deposits with financial institutions consist primarily of demand deposits, certificates of deposits, and savings accounts.

The treasurer is required to deposit such moneys in solvent banks in state or the Public Deposit Investment Pool pursuant to New Hampshire RSA 383:22. Funds may be deposited in banks outside of the state if such banks pledge and deliver to a third party custodial bank or the Federal Reserve Bank, collateral security for such deposits, United States government or government agency obligations or obligations to the State of New Hampshire in value at least equal to the amount of the deposit in each case.

1-D Statement of Cash Flows

For purposes of the Statement of Cash Flows, the Town considers all highly liquid investments with a maturity when purchased of three months or less and all local government investment pools to be cash equivalents.

1-E Receivables

Receivables recorded in the financial statements represent amounts due to the Town at December 31st. They are aggregated into a single accounts receivable (net of allowance for uncollectible accounts) line for certain funds and aggregated columns. They consist primarily of taxes, billing for charges, and other user fees.

1-F Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

1-G Capital Assets

Capital assets include property, plant, and equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items) which are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The accounting and reporting treatment applied to capital assets associated with a fund are determined by the fund’s measurement focus. General capital assets are assets of the Town as a whole. When purchased, such assets are recorded as expenditures in a governmental fund and capitalized as assets in the government-wide Statement of Net Position. Capital assets of the proprietary fund are capitalized in the fund and the cost basis for proprietary fund capital assets is the same as that used for general capital assets.

Capital assets are defined by the Town as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are carried at historical cost or estimated historical cost. When the cost of the capital assets cannot be determined from available records, estimated historical cost is used. Donated capital assets are recorded by the Town at acquisition value.

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The costs of normal maintenance and repairs are charged to operations as incurred. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Capital assets of the Town are depreciated or amortized using the straight-line method over the following estimated useful lives:

Capital Asset Classes:	<u>Years</u>
Land improvements	5-10
Building and building improvements	5-10
Vehicles and equipment	10-40
Infrastructure	20-30

**1-H Inter-fund
Transfers**

Inter-fund transfers represent flows of assets without equivalent flows of assets in return and without a requirement for repayment. In governmental funds, transfers are reported as other financing uses in the funds making the transfers and other financing sources in the funds receiving the transfers. In the government-wide financial statements, all interfund transfers between individual governmental funds have been eliminated.

1-I Property Taxes

Property taxes are billed and collected by the Town on a semi-annual basis. Tax bills are due on or around July 1 and December 1, with interest at 12% per annum on all taxes not received by the due date. The first billing is an estimate only based on half of the previous year's billing. The final billing is levied based on an inventory taken in April of each year (the tax year runs from April 1 to March 31) and is assessed after the tax rate has been calculated and set by the New Hampshire Department of Revenue Administration. A Lien is executed on any unpaid property taxes in the following year and this lien takes priority over any others. Interest of 18% per annum is charged upon redemption of the tax lien. Properties not redeemed within two years of the date of the tax lien should be deeded to the Town. The tax collector executed a tax lien for the balance of the uncollected 2018 property taxes on April 2.

Property tax receivables are recognized on the levy or lien date, which is the date the tax warrant is issued. Current year property tax receivables represent taxes levied but not remitted to the Town at December 31, 2019 and unpaid taxes. The succeeding year property tax receivable represent taxes certified by the Town to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. Although the succeeding year property tax receivables have been recorded, the related revenue is reported as a deferred inflow of resources in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

In connection with the setting of the tax rate, Town officials with the approval of the Department of Revenue Administration, establish and raise through taxation an amount for tax abatement and refunds, known as overlay. This amount is reported as a reduction in tax revenue and is adjusted by management for any reserve for uncollectable at year end. The property taxes collected by the Town include taxes levied for the State of New Hampshire, White Mountains Regional School District, and Coos County, which are remitted to these entities as required by law.

The Town net assessed valuation as of November 13, 2019 utilized in the setting of the tax rate was as follows:

For the New Hampshire education tax	\$ 77,862,661
For all other taxes	\$ 83,015,261

The tax rates and amounts assessed for the year ended December 31, 2019 were as follows:

	<u>Per \$1,000 of Assessed Valuation</u>	<u>Property Taxes Assessed</u>
Municipal portion	\$ 3.42	\$ 284,639
School portion:		
State of New Hampshire	2.29	177,988
Local	12.98	1,077,378
County portion	5.17	428,939
Total	<u>\$ 23.86</u>	<u>\$ 1,968,944</u>

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1-J Accounts Payable

Accounts payable represent the gross amount of expenditures or expenses incurred as a result of normal operations, but for which no actual payment has yet been issued to vendors/providers as of December 31, 2019.

1-K Deferred Outflows/Inflows of Resources

Deferred outflows of resources, a separate financial statement element, represents a consumption of net position or fund balance that applies to a future period(s) and thus will not be recognized as an outflow of resources (expense) until then.

Deferred inflows of resources, a separate financial statement element, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Although certain revenues are measurable, they are not available. Available means collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year. Deferred inflows of resources in the governmental fund financial statements represent the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current year or expected to be collected soon enough thereafter to be used to pay liabilities of the current year.

1-L Long-term Obligations

In the government-wide and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities.

In the fund financial statements, governmental fund types recognize bond premiums, as well as bond issuance costs, during the current period. The face amount of debt issued and premiums received on debt issuances are reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

1-M Net Position/Fund Balances

Government-wide Statements – Equity is classified as net position and displayed in three components:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation, and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets.

Restricted net position – Results when constraints placed on net position use are either externally imposed by a third party (statutory, bond covenant, or granting agency) or are imposed by law through constitutional provisions or enabling legislation. The Town typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted net position – Consists of net position not meeting the definition of the preceding categories. Unrestricted net position is often subject to constraints imposed by management which can be removed or modified.

Fund Balance Classifications – GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, provides more clearly defined fund balance categories to make sure the nature and extent of the constraints placed on a government's fund balances are more transparent. The following classifications describe the relative strength of the spending constraints:

Non-spendable – Amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items, inventory or tax deeded property subject to resale); or (b) are legally or contractually required to be maintained intact.

Restricted – Amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the legislative body (Town Meeting). These amounts cannot be used for any other purpose unless the legislative body removes or changes the specified use by taking the same type of action that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

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Assigned – Amounts that are constrained by the Town’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Selectmen through the budgetary process.

Unassigned – Amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When multiple net position/fund balance classifications are available for use, it is the Town’s policy to utilize the most restricted balances first, then the next most restricted balance as needed. When components of unrestricted fund balance are used, committed fund balance is depleted first followed by assigned fund balance. Unassigned fund balance is applied last.

1-N Use of Estimates

The financial statements and related disclosures are prepared in conformity with accounting principles generally accepted in the United States. Management is required to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources, the disclosure of contingent assets and liabilities at the date of the financial statements, and revenues and expenses during the period reported. These estimates include assessing the collectability of accounts receivable and the useful lives and impairment of capital assets, among others. Estimates and assumptions are reviewed periodically by management and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results could differ from estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

2-A Budgetary Information

General governmental revenues and expenditures accounted for in budgetary funds are controlled by a formal integrated budgetary accounting system in accordance with various legal requirements which govern the Town’s operations. At its annual meeting, the Town adopts a budget for the current year for the general and water funds, as well as two nonmajor funds. Except as reconciled below, the budget was adopted on a basis consistent with U.S. generally accepted accounting principles.

Management may transfer appropriations between operating categories as deemed necessary, but expenditures may not legally exceed budgeted appropriations in total. All annual appropriations lapse at year-end unless encumbered.

Encumbrance accounting, under which purchase orders, contracts, and continuing appropriations (certain projects and specific items not fully expended at year-end) are recognized, is employed in the governmental funds. Encumbrances are not the equivalent of expenditures, and are therefore, reported as part of the assigned fund balance at year-end, and are carried forward to supplement appropriations of the subsequent year.

State statutes require municipalities to present a balanced budget but provide for the use of beginning unassigned fund balance to achieve that end. For the 2019 fiscal year, \$0 of the beginning general fund unassigned fund balance was applied for this purpose.

2-B Budgetary Reconciliation to GAAP Basis

The Town employs certain accounting principles for budgetary reporting purposes that differ from a GAAP basis. The Statement of Revenues, Expenditures, and Changes in Fund Balance - Budgetary Basis presents the actual results to provide a comparison with the budget. The major difference between the budgetary basis and GAAP basis is as follows:

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities, but rather represent budgetary accounting controls. Governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and commitments (encumbrances) for goods or services not received at year-end. Encumbrances are recorded to reserve a portion of fund balance in the governmental fund types for commitments for which no liability exists.

NOTE 3 – CASH AND CASH EQUIVALENTS

The Town’s deposits and certificates of deposit are entirely covered by federal depository insurance (FDIC) or by collateral held by the Town’s agent in the Town’s name. The FDIC currently insures the first \$250,000 of the Town’s deposits at each financial institution, per case custodian. Deposit balances over \$250,000 are insured by the collateral. As of year-end, the carrying amount of the Town’s deposits was \$1,008,826 and the bank balances totaled \$1,067,567.

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NOTE 4 – TAXES RECEIVABLE

Taxes receivable represent the amount of current and prior year taxes which have not been collected as of December 31, 2019. The amount has been reduced by an allowance for an estimated uncollectible amount of \$35,105. Taxes receivable by year are as follows:

Property:		
Levy of 2019	\$	78,091
Unredeemed (under tax lien):		
Levy of 2018		62,503
Levy of 2017 and prior		166,419
Net taxes receivable	\$	<u>307,013</u>

NOTE 5 – CAPITAL ASSETS

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

	Balance, Beginning	Additions	Disposals	Balance, Ending
Governmental Activities:				
At cost:				
Not being depreciated:				
Land	\$ 1,500	\$ -	\$ -	\$ 1,500
Total capital assets not being depreciated	<u>1,500</u>	<u>-</u>	<u>-</u>	<u>1,500</u>
Other capital assets:				
Buildings and building improvements	3,306,500	-	-	3,306,500
Vehicles	1,285,715	-	-	1,285,715
Machinery and equipment	776,400	-	-	776,400
Total other capital assets	<u>5,368,615</u>	<u>-</u>	<u>-</u>	<u>5,368,615</u>
Less accumulated depreciation for:				
Buildings and building improvements	(3,092,185)	(15,508)	-	(3,107,693)
Vehicles	(931,266)	(66,071)	-	(997,337)
Machinery and equipment	(776,400)	-	-	(776,400)
Total accumulated depreciation	<u>(4,799,851)</u>	<u>(81,579)</u>	<u>-</u>	<u>(4,881,430)</u>
Other capital assets, net	<u>568,764</u>	<u>(81,579)</u>	<u>-</u>	<u>487,185</u>
Governmental activities capital assets, net	<u>\$ 570,264</u>	<u>\$ (81,579)</u>	<u>\$ -</u>	<u>\$ 488,685</u>

Depreciation expense was charged to functions of the Town based on their usage of the related assets. The amounts allocated to each function are as follows:

Governmental activities:	
Highways and streets	\$ 60,435
Public safety	15,000
Sanitation	6,144
Total depreciation expense	<u>\$ 81,579</u>

NOTE 6 – INTERGOVERNMENTAL PAYABLES

Amounts due to other governments of \$647,366 at December 31, 2019 consist of the following:

General fund:	
Amount due to the White Mountains Regional School District	\$ 647,366
Total intergovernmental payables due	<u>\$ 647,366</u>

NOTE 7 – DEFERRED INFLOWS OF RESOURCES

Deferred inflows of resources are as follows:

	Government Activities	Governmental Funds General	Other Governmental
Unavailable tax revenue	\$ -	\$ 245,747	\$ -

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NOTE 8 – LONG-TERM LIABILITIES

Changes in the Town's long-term liabilities consisted of the following for the year ended December 31, 2019:

	Balance December 31, 2018	Additions	Repayments	Balance December 31, 2019	Due Within One Year
Governmental Activities:					
General obligation notes payable	\$ 111,800	\$ -	\$ (26,044)	\$ 85,756	\$ 26,063

Long-term notes are comprised of the following:

	Issue Date	Maturity Date	Interest Rate %	Outstanding December 31, 2019	Current Portion
Governmental Activities:					
Notes Payable:					
Backhoe	2016	2025	1.76%	\$ 65,707	\$ 13,103
Loader	2012	2021	3.125%	20,049	12,960
Total				\$ 85,756	\$ 26,063

NOTE 9 – NET POSITION

Governmental and business-type activities net position reported on the government-wide Statement of Net Position at December 31, 2019 includes the following:

	Governmental Activities
Net investment in capital assets:	
Net property, buildings, and equipment	\$ 488,685
Less:	
Notes payable	85,756
Total net investment in capital assets	402,929
Restricted net position:	
Expendable trust funds	312,058
Conservation commission	77,855
Total restricted	389,913
Unrestricted	266,031
Total net position	\$ 1,058,873

NOTE 10 – GOVERNMENTAL FUND BALANCES

Governmental fund balances reported on the fund financial statements at December 31, 2019 include the following:

	General Fund	Conservation Commission	Expendable Trust Funds	Total Governmental Funds
Non-spendable:				
Tax deeded property, subject to resale	\$ 25,678	\$ -	\$ -	\$ 25,678
Total non-spendable	25,678	-	-	25,678
Restricted:				
Conservation Commission	-	77,855	-	77,855
Expendable trust funds:				
Perpetual care	-	-	20,824	20,824
Capital reserves	-	-	291,234	291,234
Total restricted	-	77,855	312,058	389,913
Unassigned:				
General	(5,394)	-	-	(5,394)
Total fund balance	\$ 20,284	\$ 77,855	\$ 312,058	\$ 410,197

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NOTE 11 – SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the balance sheet date, but before the financial statements are issued. Recognized subsequent events are events or transactions that provided additional evidence about conditions that existed at the balance sheet date, including the estimates inherent in the process of preparing the financial statements. Non-recognized subsequent events are events that provide evidence about conditions that did not exist at the balance sheet date but arose after the date. Management has evaluated subsequent events through January 8, 2021, the date the December 31, 2019 financial statements were available to be issued, and no events occurred that require recognition or disclosure.